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## WEST EUROPE REPORT

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## ZERO OPTION RECONSIDERED IN LIGHT OF STRAUSS COMMENT

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 28 Jan 83 p 10

[Article by Karl Feldmeyer: "How Meaningful Is the Zero Option?"]

[Text] Bonn, January--"Utter nonsense" was CSU Chairman Strauss's comment a few days ago on the desire to achieve a "zero option" in the Geneva negotiations on the intermediate-range missile potentials. The assessment was applied not to the Soviet negotiating position but to that of the West, i.e. to the proposal the Soviets should scrap their SS-20 launching platforms and missiles, thus enabling NATO to renounce installation of Pershing II and cruise missiles in West Europe. The embarrassment in the CDU/CSU caused by this position was covered up by attacks on the SPD in the joint statement of the CDU and CSU general secretaries.

But the embarrassment is understandable since the Strauss comment was an open violation of the official position to which thus far the CDU and the CSU had adhered: yes to the NATO dual decision and to the zero option, accepted as the U.S. negotiating position after the Schmidt government's prolonged urging. Doubts in the CDU/CSU support of the "zero option" damage credibility. Aside from the election campaign aspect, which the CDU/CSU must consider, there is, of course, also the question how things "really" stand. Whoever poses the question in this manner will arrive at a completely different finding: that the assessment as "nonsensical," just as Strauss's statement that refusal of the Europeans to counterarm would "lead to an irreparable rupture within NATO" is probably justified.

In explanation it is necessary to look back to the spring of 1975. Then the most important NATO countries decided during the session of the Nuclear Planning Group in Monterey to procure new nuclear intermediate-range weapons. There had been a broad spectrum of U.S. intermediate-range systems in Europe far into the 1960's: Jupiter missiles, Matador and Mace missiles --96 "Mace-B" missiles were stationed in the FRG alone--as well as aircraft, systems of which only 90 F-111 stationed in England had remained in the 1970's. The Americans had removed everything else without any quid pro quo.

The decision to restore the lost intermediate-range potential with modern weapons was made at a time when the Soviet Union had a potential of intercontinental nuclear weapons striving for parity with the United States, which, moreover, was to be sanctioned in the SALT II treaty. The power of these Soviet intercontinental weapons had become so great that Washington's threat to the effect that its own "big" intercontinental weapons would be employed also in case of a Soviet attack directed against Europe (only), had to lose credibility at least with the potential aggressor. Looking ahead to a balance of terror in ICBM's, NATO considered as necessary the equipment that it had been able to forego during the period of U.S. superiority: nuclear intermediate-range weapons in Europe. What was wanted was the ability to be able to reach the Soviet Union without employing ICBM's: the ability, despite the ICBM balance, to make an attack on Europe once again as risky as it used to be. Therefore, above all the Europeans wanted to see additional types of weapons included in the alliance. The Europeans wanted to prevent development of a dangerous gap between the intercontinental weapons on both sides, which started to keep each other in check, and the other nuclear weapons in Europe.

All that had been thought out and decided before the Soviets started to build their SS-20 missiles. This armament started full force in 1977/78. It made the reasons for stationing U.S. intermediate-range weapons in Europe even more urgent. The SS-20 creates a clear Soviet superiority in the --political and military--threat far beyond the borders of the European-Asiatic landmass. Thus it nullifies the equilibrium, the mutual keeping one another in check that the U.S. and Soviet intercontinental arsenals had guaranteed. The technical and political "range" of these new Soviet weapons is supposed to make Europe (and other regions) less secure and more susceptible to Soviet pressure and to the idea of turning away from the United States. The SS-20 is supposed to crack NATO.

What is involved is the intention to counteract. The new threat to West Europe by the SS-20's is to be countered by an additional threat to the aggressor; thus the deterrence link between Europe and the United States is to be stepped up again. This task has been added because of the SS-20. However, the original reason causing the demand for intermediate-range weapons in Europe that had led to the Monterey resolution in 1975 continues also without the SS-20. The "zero option" proposal does not do justice to the above. It was worked out mainly by Federal Chancellor Schmidt and his government and was discussed in the NATO "Special Consultative Group." Appearances alone indicate that for this proposal considerations of the ability to implement the alliance policy domestically and even within the party were given greater weight than necessary.

The Americans, just as the British and other alliance partners, hesitated for a long time before they yielded to Bonn's urging. They did not relent until the nuclear planning group session in Gleneagles, Scotland, in October 1981, a little over a month prior to the start of

the Geneva talks. The communique of the meeting is the first NATO document that speaks of a "possible solution on a zero level." Thus the Schmidt government had prevailed. It is one of the ironies of politics that it is Schmidt's own party that is attacking this position which it had achieved against the exigencies of the situation. The SPD [now] rejects the position because it wants to prevent deployment of the intermediate-range weapons on the Western side. But it is also part of the irony that the new Federal Government is tied to this NATO position even though it may not consider it as convincing.

12356

CSO: 3620/190

WEINSTEIN: DISARMAMENT TALKS CAN'T INCLUDE 'FORCE DE FRAPPE'

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 19 Jan 83 p 10

[Article by Adelbert Weinstein: "Rapallo Instead of a Battlefield?"]

[Text] Brussels, 18 January--The French president merely had to repeat himself. As early as last November Mitterrand bluntly declined to include the French nuclear weapons in the Geneva disarmament negotiations. Andropov's new proposal was unable to breach the Paris position. The Elysee Palace and Quai d'Orsay agree that the Soviet party chief's initiative, insofar as it includes the force de frappe in the Kremlin's political counteroffensive, has one primary goal: to decouple Europe from the United States.

France's security needs do not permit such a future. Not least because France is afraid its operational buffer area, the FRG, could become a kind of military "soft underbelly" without U.S. divisions. Official France is attentively monitoring the domestic political development in neighboring Germany. What used to be the secure shield behind which the French nuclear force could be calmly built up is becoming more like a weak rampart. French experts think highly of the Bundeswehr as a combat-effective army. There is a great deal of confidence in its fighting strength. But the German peace movements are being regarded with distrust and the opposition policy is being skeptically watched. The reaction of the German Social Democrats and that of the Greens to the Soviet proposals can be summarized--and that can easily be gathered from French commentators--in the slogan: Rapallo instead of a battlefield. This formula reflects the French worry that an FRG government might perhaps come to an arrangement with the Russians just as in 1922. The intention would be, as a precautionary measure, not to permit the FRG to become the battlefield of the Third World War, the FRG on whose territory thousands of nuclear weapons are deployed, hundreds of thousands of foreign soldiers are stationed, and against which thousands of Soviet weapons are targeted. The French interpret the policy of the German Socialists as an attempt to escape from geostrategic reality. The German leftist camp, the French say, does



not want to counter the actual situation--being a border country of the West and simultaneously a NATO buffer--by a balancing of East and West forces. The German leftist camp labors under the illusion that the danger can be avoided by neutralization. In the French opinion, only the presence of the Americans can make their German neighbors strategically more immune to crisis.

Therefore, France favors deployment of Pershing and cruise missiles, for this strategy will keep the Americans in Europe. But Paris is strongly opposed to inclusion of the French nuclear potential in the duel of the superpowers in which the future of these weapons systems will be decided.

A French general recently characterized his country's security policy as follows: "A medium power such as France can practice nuclear deterrence against an adversary if it directly attacks the national territory of an enemy." The French nuclear force is an "anti-city weapon." It is not designed to eliminate the weapons systems and troops of an adversary. Its purpose is to hit the nerve center of the enemy country, its leadership centers. It is targeted on concentrations of people in big cities. The French general continued: "As for the credibility (of our nuclear force) it is based not on our estimate of its capability but on the effect of the threat on the adversary.

For one thing, such statements indicate that such a strategy can be implemented only by the national decision of the head of state. It is impossible for the latter to speak in the name of, let us say, the German Federal Chancellor. The force de frappe only protects France. It has only indirectly a protective function for its neighbors, namely by being able to seriously hit and badly injure the possible adversary. But when will France hit the adversary? This uncertainty is consciously maintained. It is the psychostrategic part of the French security policy.

On the other hand, the French force de frappe is no match for the Soviets. In this connection we are not speaking of the number but of the level of development of the system. France does not yet possess missiles with multipurpose warheads. The "Inflexible," France's sixth nuclear missile submarine, will be armed with the M 4 missile, the first with a system that unites three independently operating explosive devices in its warhead. However, all SS-20's have three warheads.

Therefore, the French nuclear weapons cannot be set off against the Soviet ones. Moreover, the Soviets also include U.S. aircraft in their calculations, those equipped with nuclear weapons as well as those with conventional weapons. If the U.S. aircraft were removed and replaced by French ones, then not only would the West's nuclear deterrent strength be reduced but also its conventional strength. Aside from French insistence on national independence in defense,



there are important reasons for Paris to reject the inclusion of its own force de frappe in the bilateral disarmament talks of the superpowers. U.S. military weakening in Europe would also weaken France.

Finally, the Soviet proposal does not take into account the fact that the French are operating with "two strategies." One of them, the security policy of deterrence through its own force de frappe, is national. The other strategy is cooperation with the Atlantic allies. The French army has assigned 50,000 men to Germany. The French First Army is stationed on the left bank of the Rhine but it can reinforce the Atlantic divisions in case of a crisis. It is true that the French have never clearly indicated whether their troops constitute a strategic reserve or whether they will guard a "loophole in the Iron Curtain." However, it is certain that this armed force can only go into action if France is convinced that its commitment is politically protected by a credible U.S. military presence. But the U.S. ally will remain in Europe only if its Seventh Army and its air squadrons are protected by adequate modern nuclear weapons systems. That is why Paris takes Washington's side as regards counterarming. Details may be discussed but not the fundamental question of the French force de frappe or Pershing missiles.

12356

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## 'MOST WANTED NEOFASCIST' DELLE CHIAIE INTERVIEWED

Rome L'ESPRESSO in Italian 26 Dec 82 pp 24-29

[Interview by Roberto Chiodi: "They're the Ones"]

[Text] Stefano Delle Chiaie is the most wanted Italian at large. He walked out of the Rome court house in July 1970 before he could be interrogated on Mario Merlino's participation in the Piazza Fontana massacre. Accused of holding back testimony, he emerged from the trial on the 12 December bombs after 7 1/2 years "by the intervention of an ordinance." For the Borghese coup he was sentenced to 5 years of seclusion; he is now awaiting an appeal. He was also sentenced to 3 years (definitively) for reconstituting the fascist party. Two arrest warrants have been issued against him for instigating the Bologna massacre and the murder of Occorsio. A figure short in stature, today he holds the top position in the black International hierarchy.

Heir to Prince Borghese, he has had close relations with the aggressive militaristic governments of Chile (he is a personal friend of Pinochet) and Argentina. In Bolivia he was the shadow man of Lucio Arce, minister of the interior. Nationalist and neofascist movements in Europe, Africa, Central and South America have looked to his organization for guidance.

Lima--For the past 12 years he has been hunted over half the globe, with orders to nab him at all costs. He is being sought by the CIA as well as the French and Israeli secret services. The Italian magistracy is looking for him to answer charges of homicide and incitation to massacre. In Bolivia, where he had been living heretofore in tranquillity under that country's military regime, his movements are now clandestine. But Stefano Delle Chiaie is not ready to give up; indeed, in this interview, conducted in his hideout, for the first time he sharply counterattacks those he considers his persecutors, threatens his enemies including the magistrates, proclaims the rehabilitation of the Avanguardia Nazionale (National Vanguard), and talks about his projected international subversive movement. "The moment

to speak out and restore order in the national revolutionary movement has come", he says. "The struggle on the Italian territory must be resumed--the struggle I left in other hands years ago. This is the moment to inflict healing wounds, to make a clean sweep."

[Question] Why at this particular time?

[Answer] I have always believed that polemics in this world of ours could only provoke deep, irreversible fractures. Actually, the maneuvers against me were conducted by a few elements. To respond to them would necessarily mean telling about episodes that would disqualify our political sector. To the contrary, their attacks have heaped discredit on me, the Avanguardia nazionale, and its militants. The atrocious crime committed by that paranoid Concutelli against my Comrade Palladino (Delle Chiaie's associate strangled in the Novara prison last August--editor's note), the absurd, unjustified arrest of my wife and other comrades, and the bandit operation that led to the murder of Pagliai (neofascist arrested and gravely wounded in Santa Cruz, Bolivia, last 10 October, who died in Rome 1 month later--editor's note)--all these factors persuaded me to take my distance from those tools of the system, whose crimes have been attributed to me and my Avanguardia comrades.

[Question] Let us begin with the most recent episode, the Pagliai case. What actually happened in Bolivia?

[Answer] After the meeting on 2 August last with members of the Italian and French services, Judge Aldo Gentile, who was investigating the Bologna massacre, offered Elio Ciolini (superwitness of the enquiry into the bombing of the Bologna rail station, who subsequently retracted his testimony--editor's note) \$200,000 to capture me in the "Pall Mall Operation." Ciolini was designated to recruit the men in the commando and take part in the action. The plan was to get me across Lake Titicaca into Peru, then back to Italy. On the first Sunday in October, Ciolini received 30 million lire, handed to him by Gentile himself...

[Question] Judge Gentile?

[Answer] Yes, himself. He slipped Ciolini the money at the counter of the station bar in Geneva. The following Sunday in the very same place, Ciolini was given another 30 million by an official of the Italian secret service named Miglione.

[Question] How do you know all this?

[Answer] I learned about the 2 August meeting immediately afterward. After that, we kept Ciolini under surveillance. We have eyewitnesses who saw the exchange of money--and other things...

[Question] Photographs?

[Answer] Exactly. Meanwhile, the French secret service made another proposal to Ciolini: to open an agency in Geneva as a cover for a group of Frenchmen who were aiming to overthrow Mitterrand. Then came word that the Bolivian

military was about to transfer their power to a civilian regime. The French had to work fast, and that was when the CIA and the Israeli MOSSAD became involved. All the same, I continued to go about my business quietly in La Paz. Everyone knew my address, for one reason because it was given in a leaflet that was being distributed at the time.

[Question] How did you manage to stay so calm?

[Answer] Because I was not alone. I had mounted a sound security guard to deal with the repressive International.

[Question] It would have required force to kidnap you. How would your security guard have reacted?

[Answer] If they had come armed, then we would have met them with arms. But they never came. They said they had lost track of me, even though I never left the city. Why didn't they come for me? Simply because I was not alone.

[Question] And Pagliai was...

[Answer] Pier Luigi had quit politics months before. He planned to return to Italy, never dreaming that the State terrorists were keeping an eye out for him. He had returned to Santa Cruz a few days before, not knowing that his landlord, Captain Larrea, had sold him to his executioners. On Sunday, 10 October, at 11 am, Pier Luigi was driving his Toyota near the church of Our Lady of Fatima when a white Lada and four other cars surrounded him. Pagliai shut his car window, clapped both hands over the nape of his neck, and never moved. Dozens of witnesses can attest to this because the episode happened in the middle of the plaza. They heard an order shouted in a foreign language, different from the Castilian tongue. A blond man about 1.8 meters tall ran to Pier Luigi's car, smashed the glass, and fired two shots pointblank at his throat and neck. At least 80 persons took part in this heroic attack: besides 40 agents (Israeli, CIA men, Italians, and bandits like Ciolini), Major Zugel and Colonel Nelson were there with a squad of 40 policemen.

[Question] Is it true that your friends tried to liberate the wounded Pagliai afterwards?

[Answer] That same Sunday night, a group of comrades went to the Petrolero hospital, thinking he was interred there, but he had already been transferred to Santa Isabel hospital in La Paz. Then, after summary medication and against the advice of the doctors, he was sent off to a slow death.

[Question] The press also mentioned the part played by the American ambassador to Bolivia, Mr. Corr.

[Answer] The Siles Zuazo government was installed that Sunday afternoon. No one knew whether the new minister of the interior would be Rospigliosi or Roncal. With a shove from the American Ambassador Corr, who acted as if Bolivia were a province of the American empire, the new government agreed to expel both Pagliai and me.

[Question] Why were the CIA, the French, and the Israeli MOSSAD all against you?

[Answer] To explain that, first I must tell you what we were doing in Bolivia. Within the context of an international movement that had been under way for many years, in 1980 our Bolivian comrades asked us to support the revolution that would bring the military to power. And so, as what had already happened in Costa Rica, Spain, Angola, Portugal, Chile, El Salvador, and Argentina, our organization pitched in--not as mercenaries but as political militants, who knew how to win respect and esteem. Our actions set off a whole series of international maneuvers intended to interrupt that process of influence, which lent practical reality to our political ideas and projects, and put us on common ground with all sorts of disparate sectors.

[Question] But I don't see how your actions could justify any intervention by the CIA or the Israelis.

[Answer] Understand that Bolivia is a target for subversion and international imperialism because of its enormous riches and its geopolitical situation. We practically ruined an accord between France and Bolivia to exploit Bolivia's uranium deposits, which would have reaped the country huge benefits. Not only that; we urged the Arabs to take over the operation, and kept telling the Bolivians at length what the methods and goals of international Zionism are.

[Question] And the United States?

[Answer] We opposed Corr's insistence that the coca plantations should be destroyed not only because they bring in good revenues to the peasants but also because coca is an integral part of the ancient sacral culture of the populations living on the highlands. Confusing coca with cocaine is normal among the profane but not to Mr Corr, an associate of Frank Sinatra and people like that. Then, too, we hampered the Trilateral's efforts at colonialism and, to disprove the lies Corr was telling his government about Bolivia, we arranged to send to the American Senate's committee on Latin American problems a file on the true situation in this country.

[Question] Can the attempts to eliminate you continue?

[Answer] Let us say that there are certain sectors that would like to get me, preferably dead. But the job is not so simple in my case. They're looking for us and we're looking for them. Let's see who gets there first.

[Question] Does that warning also apply to Ciolini?

[Answer] He can go right on making the rounds of Geneva in peace with his friends, and enjoy the cuisine in that restaurant next to the university. He's useful to us alive. He needn't be afraid of us but rather of his bosses. They might rub him out to prevent him from telling who paid him and why. For now he can shave off his beard and discard his eyeglasses; when his time comes, they'll do nothing to hinder justice.

[Question] In legal circles they are saying that you organized the Bologna massacre with the help of Pagliai, Maurizio Giorgi (An Avanguardia nazionale leader--editor's note) and three foreigners.

[Answer] I'll begin with the foreigners. I have never seen Hoffmann nor Oliver Danet--who, it seems to me, has amply proven that he never moved from Gabon in the summer of 1980. Joachim Fiebelkorn I knew 3 months after the massacre of 2 August. As for Giorgi and Pagliai, I know for certain that both of them were in South America at the time. Dozens of witnesses can confirm this, in fact we are collecting their sworn statements. Here is the first one; it states that from July to September, Giorgi was tutoring a boy, Gustavo Manotti, in Italian. All the boys relatives can testify to that.

[Question] Excuse me, but didn't Elio Ciolini declare that Giorgi went to Italy on 26 June 1980? This is clearly written in the arrest warrant.

[Answer] I was the one who went to Italy. Ciolini couldn't have known that. That's why he made his clamorous blunder--to our benefit. He had invited me to Switzerland, and I replied that I could send one of my collaborators, Maurizio Giorgi. It was in his name that Ciolini bought the plane ticket--and the ticket was duly used. But as I say, I made that trip. Here is the passport; you can see that it's in Giorgi's name, but the passport photo is one of me. And these are the exit and entry permits stamped in Argentina: 26 June and 24 September. Anyway, you and I met during that period.

[Question] Yes, I interviewed you in Paris on 18 September. We spoke about many things, but not everything. Let's do that now.

[Answer] Beginning with the end of the 1960s. At that time, the "golpisti" and the revolutionaries were building a civil and military network that would seize power through the coup's "technical opportunity." The Piazza Fontana massacre was providential for those in power. That provocative event achieved the foreseen results, and caused the national revolutionary strategy irreparable damage.

[Question] Yet the coup came 1 year later, anyway...

[Answer] People made many inferences on that score. You can no longer accept Commander Borghese passing himself off as a stooge of the system, as Pisano and his kind did. Like it or not, we enjoyed his full confidence.

[Question] What were your duties?

[Answer] To keep check on the organization and head off any infiltrations. We did that, and well. They don't come from Avanguardia Nazionale, the numerous Orlandini's, the Drago's, the Degli Innocenti's, La Morte's, Almirante and Franco Antico, to quote the names of those who tried to unload their blame on us and collaborated with bourgeois justice under the pretext of making investigations to establish the truth or simply to defend themselves.



[Question] On that famous night of the coup, were you or were you not at the Palazzo Viminale?

[Answer] I was in Barcelona waiting for orders.

[Question] Why have you never said that before?

[Answer] Because it seemed useless to establish truths which might give the impression that I was trying to escape and that I was responsible. If there was an attempted coup that night, I had no responsibility for it.

[Question] How did you take part in the events of 1974?

[Answer] It all began with a series of provocations against Gaetano Orlando (fascist at large, leader of MAR, the Revolutionary Action Movement--editor's note), who instigated the assault on the PSI Federation in Brescia, which was meant to demonstrate our militants' terrorist methods. At that time, MAR was distributing huge quantities of explosives. At the trial for the Brescia massacre, Marco De Amici confessed that he had deposited a quintal of explosives in an electricity shed with the help of a carabinieri captain.

[Question] Do you have any more exact recollections?

[Answer] There was a plan to machinegun a parade of metal mechanics on Piazza San Babila in Milan and then blame it on SAM (Mussolini Armed Squadron, a neofascist organization which committed numerous crimes in Lombardy--editor's note). Some right-minded people in the Arezzo territory financed groups of Ordine Nuovo stragglers and outlaws in Tuscany (in the same area, a man passed off as Lello Graziano, Ordine Nuovo leader, was introduced to a group of young comrades, although Graziano was 1,000 kilometers away at the time). There was Eliodoro Pomar (nuclear engineer, now at large, adherent of Borghese and involved in attempted coups--editor's note), who had the idea of invading Italy from France with a new "march on Rome." It was during that period of repeated provocations that the bomb blew up on the Italicus express train.

[Question] People have often spoken of your close relations with the ministry of the interior, especially Federico D'Amato. How true is that?

[Answer] I have never had contacts with men or structures of the State in the separate bodies. After a long, suspicious silence, D'Amato recently declared that he never knew me. On this subject he asked for a confrontation with La Bruna; why hasn't he ever been granted one? Who led La Bruna into the business of spewing poison against Avanguardia Nazionale? It was too easy to invent calumnies on my count. Once a man from SID, Torquato Niccoli, tried to rope me into a meeting, supposedly a summit meeting to talk about a coup. But enough of that.

[Question] Would you be more precise?

[Answer] I repeat, I have never know D'Amato, but I know that he often met with Almirante and that he was a close friend of Senator Tedeschi, which was obvious: they were both involved with P2--I also know that his office maintained contacts with a Paduan professor, a friend of Pozzan and Giannettini. I know, too, that Maletti exchanged information with Alimirante. In 1972 during one of our first secret meetings, Almirante asked me to get in touch with an MSI exponent because he had any number of contacts with SID officialdom, so he said. MAR was closely allied with the services through two carabinieri officers, Dogliotti and Santoro. Even the police chiefs of Brescia and Milan maintained links with MAR. As for Ordine Nuovo, I know about the contacts those people kept up with prominent persons in the area, like Cauchi, Azzi, and Facchin. Ordine Nero was jammed with big shots linked to the services. At the beginning of 1975, after a very serious incident at the Arena in Verona--

[Question] What incident?

[Answer] Someone planted a high explosive bomb there. If some of our comrades hadn't defused it, today we would surely have to answer for that attempt, too. It failed, but not because the instigator, whoever he was, took any preventive measures. In 1975, as I was saying, I proposed to answer charges of defamation, I would confront anyone who had any reason to reproach me. I'm still waiting for my first interlocutor.

[Question] Don't your attempts to merge with Ordine Nuovo date back to that year?

[Answer] Farther back, in 1971, a coordinating structure had been set up to include the leaders of all the national revolutionary movements. After the Brescia and Italicus massacres, I was convinced that we must try to unite once again, because that was the only way we could control the territory and prevent other criminal acts from being attributed to us. Moreover, Commander Borghese had decided to return secretly to Italy, therefore it was a good moment to strengthen the political platform he needed. So we devised a common political strategy and the program of the newborn Movimento Politico d'Avanguardia Nazionale per l'Ordine Nuovo (National Vanguard Political Movement for a New Order).

[Question] Did you ever meet in order to arrive at an agreement?

[Answer] Yes once, in Nice. We decided to establish our strategic line, approach suspects, and warn them of their responsibilities and the possible consequences. With me was Pier Luigi Concutelli, called the "weapon man" by those Ordine Nuovo comrades present--a misnomer in my opinion. The ensuing months were disastrous: Massagrande, a leader of Ordine Nuovo, tried to pass off phony dollars, and he trafficked in stolen paintings with Gaetano Orlando. He never missed an opportunity to speak badly of Francia, and Francia in turn spoke badly of him and his comrades, but at the same time he talked on the telephone with Criscuolo, a Viminale official. There was a precipitous fall in style. The last dirty trick was to denounce Avanguardia for the arrest of certain people in their ranks.



[Question] Whose fault was that?

[Answer] I only know that Pietro Benvenuto, one of their followers, denounced our militants. What happened inside Ordine Nuovo couldn't interest me any more. It was the end of my hope for a unity shared by some ON leaders, accustomed to dialectic masturbation as they were, and behaving as if the organization were their personal property.

[Question] According to the magistrates, it was that unity that plotted the assassination of Judge Occorsio.

[Answer] Wrong. That unity was only meant to breathe life into a political movement that could fill the space opened up by new historical demands. As for the execution of Occorsio, I can tell you this: I never gave Concutelli the Ingram machinegun. I was not the instigator of that action. But I shared it.

[Question] You haven't dropped any of your projects. What are you thinking of doing?

[Answer] There are any number of possibilities and new horizons for the revolutionary movement, which is now lined with the most diverse political sectors, even with diverse doctrines. Everywhere we are finding people who take pragmatic positions that coincide with our aims.

[Question] Do these projects include NAR terrorists and Terza Posizione fascists?

[Answer] NAR's actions have been imposed by the same system that has left our comrades only one way to demand the right of free opinion. We think that NAR's militants could constitute a positive potential for the revolutionary struggle. The whole national revolutionary movement must feel its share of the responsibility for the sacrifices made by NAR comrades. The same also goes for Terza Posizione, which has taken over an area abandoned by many political groups, and the entire revolutionary left.

[Question] Who should be the leader of all these factions? You?

[Answer] Avanguardia was reconstituted on 2 August 1982 without the imprisoned ex-militants. Its objective is to promote the expansion of the national revolutionary movement.

[Question] But hasn't Avanguardia been ordered to dissolve? All of you are already outside the law.

[Answer] The Court of Cassation hasn't given it veridict yet. Anyway, if we are permitted to go ahead, we want to achieve the political objectives I have mentioned. If not, then we are determined to operate on another level. We are no longer willing to accept their gift of so many corpses without repaying them in kind.

[Question] That's a blow-for-blow strategy, a declaration of war.

[Answer] We want recognition of our right to profess our ideas. We want speedy justice for the hundreds of our comrades committed to prison without any proof. We are no longer willing to tolerate the outrages perpetrated by judges and other men in power. Pagliai and Palladino were murdered only because a criminal made accusations against them--for money and to get out of jail--that no one has ever taken the trouble to verify. Words are in power, only words are responsible for our future choices.

[Question] To go back to Ciolini: he says that while he was working for the French service he managed to lay his hands on their papers and discover all their plans.

[Answer] Ciolini has done nothing but build a castle of lies and infamy, which have already cost two innocent lives. I first met him early in 1980 at the Hotel Sheraton in Buenos Aires, where I was introduced to him by two men, Commander Taddei and Giovanni Lanfre, who had been an MSI delegate to parliament. Neither Licio Gelli nor Federio Federici (a masonic lawyer, now in prison in Switzerland, friend of the head of P2-- editor's note) were there. I don't know either one. I saw Ciolini again in Argentina; he was with a cotton dealer, Tino Catti. On neither of these two occasions did I reveal my true identity to him. He claims that I invited him to Bolivia "to collaborate with the government." That's false. I couldn't have suggested anything of the kind because Garcia Meza's revolution hadn't even begun yet.

[Question] What did he expect to do in Bolivia?

[Answer] He had business contracts, he would have been useful. But he was never "engaged" by any [government] department, he never had a salary. In La Paz I had him put up at the Sucre Hotel (where he stole a blanket), but then I took him to my apartment because he had no money. I never gave him any notes or lists of militants, only business files. He only found out who I was by chance and long after his arrival.

[Question] What about that identification card the Bolivian Ministry of Interior issued in his name and with his photograph?

[Answer] That credential he showed around was a card issued by the tax office--a blank card given him by a comrade. That made me very angry. I also took in his wife and children. Imagine a secret agent taking his family around with him!

[Question] Why was Ciolini so angry with you?

[Answer] We had some clashes. He went to Santa Cruz to explore the possibility of exporting wood, but I found out that he was really looking around to buy land to lay down a landing strip for planes transporting cocaine. His cut: \$20.00 for each flight. I rushed there, gave him a tough dressing down and made threats; I couldn't let all our political work in Bolivia be

compromised by a paranoid. He stuttered, he wept, he begged my forgiveness, he said that he didn't want to lose his wife, and holed himself up in his room. After a few hours he gave me a letter saying that he would leave Bolivia if that's what I wanted, and he was waiting for my decision. After that he was up to something else: a Bolivian comrade told me that Ciolini was proposing to bring false dollars into Bolivia. I made an appointment with him at the Plaza, but instead he went to my apartment, smashed a strong box, robbed me of 10,000 French francs, and escaped in a taxi with his whole family.

[Question] In short, you are making yourself out to be a victim of Ciolini. But there are documents that accuse you and your followers of torturing people and trafficking in drugs.

[Answer] That is another foul libel aimed to damage--uselessly, as it turned out--the prestige we are striving to acquire.

[Question] Things have changed in Bolivia...

[Answer] Yes, the government is now in the hands of a Marxist minority. With the coming of President Siles Zuazo, the economy is floundering and social conflicts have intensified as never before. Already an undercover civil-military junta is working to restore a power that will represent the Bolivian people and implement their real interests.

[Question] So many countries are interested in Bolivia. Why is that?

[Answer] Because of its enormous riches--gold, petroleum, uranium, lithium, copper, tin; drugs and human rights provide a screen to disguise the appetites of the imperialists. Second, because of its geopolitical situation. Bolivia is a sanctuary [and focal point] for spreading subversion throughout the continent. That is why there are already 52 Cuban and 23 Nicaraguan advisers posted in La Paz at the Hotel Gloria. In the Chapari region, more Cubans, claiming to be agrarian experts, are actually looking into means of introducing the cultivation of coca into Cuba.

[Question] Two last questions: your wife and Concutelli. What is your position vis-a-vis Concutelli, who assassinated Occorsio and then murdered Palladino, of the Avanguardia nazionale, in the Carmine region?

[Answer] Palladino was one of my comrades I esteemed most highly, and his assassination is something I can never forgive or forget. The revolutionary movement has all the information it needs to judge Concutelli accurately, we know what attitude to take toward him, an attitude of condemnation without appeal.

[Question] Delle Chiaie, your clan has been decimated. Even your wife is in jail.

[Answer] Leda is in jail only because she wrote letters to comfort our comrades in prison. The authorities nabbed her expecting to force me to come into the open. I suggested an exchange to Judge Gentile: if he released Leda, I would surrender. But Gentile refused because his operation to kidnap me was ready to go, and he hoped to capture me dead or alive. To finish, I want to make this warning: let nothing happen to my wife, otherwise I will know what to do.

9652

CSO: 3518/67

## YENI CELTEK DEV-YOL TRIAL PROCEEDS IN AMASYA

Istanbul CUMHURİYET in Turkish 15 Jan 83 p 7

[Text] AMASYA (CUMHURİYET) - The Yeni-Celtek THKP/C [Turkish People's Liberation Party Front] Devrimci Yol [Revolutionary Way] trial of 737 defendants for 81 of whom the death penalty has been requested, proceeded with the cross examination of the defendants. It was decided to have a consultation on the subject of integrating the dossier of Chairman of the Underground Mine Workers Union, Cetin Uygur, with the DISK [Confederation of Revolutionary Workers Union] trial.

At the hearing which took place in the Amasya 15th Infantry Brigades main hall, the cross examination of defendant No.667 of the Havza area, Sadik Lacin, began. Defendant Lacin said the allegations about illegal activities of the Gumushaci-koy Revolutionary Peasant Workers Youth Association [DIKG-DER] were false. Defendant Lacin, a member of the DIKG-DER Administration, said: "Since I have no knowledge of the ideology of the Revolutionary Way Periodical [Devrimci - (or Dev) - Yol Dergisi] it is not possible for me to say that I sanction the writings that appear in that periodical.", In sum, during his cross examination Lacin expressed the following views:

"Although the indictment claims I kept an armed watch in the district, I never kept such a watch. On the night of the 27th to the 28th of May, following the killing in the Gumushaci Artikabat district of Nationalist Party member Gun Sazak, gun fire was heard until morning from the Party's own buildings and associations. I do not deny having thought that some sort of raid or action might take place in our neighborhood and, on that date only, I kept an unarmed lookout that night outside the door of my house purely for reasons of personal safety and to protect my home. Although I was unarmed, there is no doubt that to stand guard in front of my house was preferable to lying down and going to sleep."

Sadik Lacin who denied the charges levelled at him in the indictment claimed Security had exerted pressures on him.

After defendant Lacin's cross examination ended Ahmet Atak, Defense Attorney for Chairman of the Underground Miners Union Cetin Uygur, took the floor. He pointed out that Cetin Uygur's trial had opened at the Istanbul Martial Law Command Martial Court No.2 with a request for a penalty in accordance with Article 146/1 of the Turkish Penal Code. Lawyer Atak continued as follows:

"In the indictment of the Istanbul trial my client Cetin Uygur was accused, in sum, of aiming to destroy the established constitution of the country and replacing it by a Marxist-Leninist type of regime and of activities in that direction, of making speeches and proposals at the DISK general assemblies,

of militating within the DEV-YOL organization and, as a leader of the workers' segment inside that organization, acting as its chairman; and of tactically and strategically channelling the Underground Mine Workers Union, from within the DISK which is engaged in promoting revolution and has turned into a revolutionary organization, toward the final and permanent outcome.

The very same accusations are to be found again in the trial opened in your Court by the Erzincan Martial Law Military Attorney General's Office. In the Istanbul Court Martial a single suit was filed against DISK and DISK connected unions chairmen. The fact that my client Cetin Uygur is being tried separately for labor union and political activities is against the rules. Therefore I request that the file of the suit against Ceting Uygur be set aside and integrated with the DISK lawsuit and that Uygur be dismissed from this trial."

At the end of the hearing the Court decided to hold a consultation with the Istanbul Martial Law Command Martial Court No.2 about setting aside the Cetin Uygur file and integrating it with the DISK suit. The hearing was adjourned to Monday January 24, for the continuation of the cross examinations.

12278

CSO: 3554/137

## MINISTER COMPLAINS OF LOW DANISH SHARE IN OIL PROJECTS

Copenhagen BERLINGSKE TIDENDE in Danish 11 Jan 83 Sect III p 3

[Text] The investments by DONG [Danish Oil and Natural Gas Company] are a discouraging example of the fact that Danish trades and industries do not get a large enough share of the purchases and investments made by the public sector. This statement was made by Minister of Industry Ib Stetter, who, at a meeting last night of the Merchants' Association of 1930, said that the laying of the oil and gas pipes in the North Sea was merely one single example to show that we in Denmark are not sufficiently competent for that kind of preparatory work.

"The laying of pipes at the bottom of the sea cannot be referred to as high-level technology," the minister of industry said. "It, therefore, is an admission of failure that we have not been able to perform this work ourselves." Ib Stetter, furthermore, drew attention the lack of welders for the natural gas network as a similar example.

The laying of the gas and oil pipelines will be carried out by the Italian state-owned company of Saipem. The laying of the gas pipeline alone is one of the very largest contracts of the entire gas network.

Ib Stetter, moreover, said that there were numerous other possibilities of making arrangements which would further Danish trades and industries without any costs to the Danish treasury. The research would have to be aimed at areas where it would be most profitable, and it should become easier to arrange building projects. Relaxed work environment requirements and adjustments of the legislation governing accounts as well as of the legislation governing monopolies were examples of such things. He, moreover, said that changes would have to be made in the Danish aid to developing countries, so that a smaller portion of the aid would be granted for large multi-lateral projects and a larger portion for bilateral projects.

"Denmark has never been given contracts for deliveries for big multi-national projects," Stetter said, predicting that much of the future growth will take place in the very developing countries. He, furthermore, said that it ought to be possible to grant development aid to countries with a somewhat higher standard of living and growth rate than allowed under our foreign aid program today. Such countries would be better able to use Danish products. Finally, he would like to see Danish trades and industries, to a larger extent, enter into the picture of the foreign aid work at an earlier stage.



## OIL CONSORTIUM, MØLLER STEP UP NORTH SEA EXPLORATION

Copenhagen AKTUELT in Danish 5 Jan 83 p 6

[Article by Vagn Petersen]

[Text] A. P. Møller and its partners within the Danish Underground Consortium [of oil and gas firms] are now stepping up their exploration for oil in the Danish part of the North Sea.

Exploration is, at present, taking place at a rate which has not previously been experienced during the 20 years in which A. P. Møller has had the monopoly of oil winning in the Danish underground.

The purpose is to get hold of as many attractive oil fields as at all possible before A. P. Møller, in less than 12 months, will have to hand over another fairly large section of the continental shelf area to the state.

The Danish Underground Consortium, at present, has five drilling rigs, compared to only two drilling rigs 12 months ago, working in the North Sea--the largest number ever. And three of the five drilling rigs will concentrate exclusively on exploration and production drillings.

The Danish Underground Consortium, at the moment, stakes far beyond 1 million kroner per day on exploration and test drillings alone.

Within A. P. Møller, they do not conceal the fact that the purpose of the stepped-up exploration is to secure for themselves as many oil fields as at all possible before A. P. Møller's concession area will anew be reduced by 50 percent at the end of 1983.

#### May Keep Attractive Areas

For, according to the agreement concluded between the Danish state and A. P. Møller on 19 May 1981, A. P. Møller may retain its right to oil winning in the areas where the Danish Underground Consortium has found oil deposits which it will be profitable to win.

Deputy information chief Henrik Uhre-Prahl confirms that this is the actual reason for the hectic oil exploration in 1983.



A. P. Møller thus seems to have changed its view on oil exploration in the Danish area. When, in 1981, the concern entered into a new agreement with the Danish state, A. P. Møller made it clear that the rate at which the exploration had previously taken place would not be changed, and which rate Social Democratic Minister of Energy Poul Nielson had criticized.

According to Henrik Uhre-Prahl, the increased exploration will be concentrated exclusively on the attractive south-west area of the Danish part of the North Sea. It is in this area that the hitherto Danish oil finds have been made.

Under the 1981 agreement, A. P. Møller has already secured a continuous area of 1,500 square kilometers in the south-west area. This area will have to be handed over at particular points of time, which consider A. P. Møller's interests to a higher degree than the terms for handing over the rest of the area.

The 1,500 square kilometers in the south-west area will have to be handed over at the rate of 25 percent in the year 2000, 25 percent in the year 2005, and, finally, the last 50 percent will have to be handed over at the expiration of the monopoly in the year 2012.

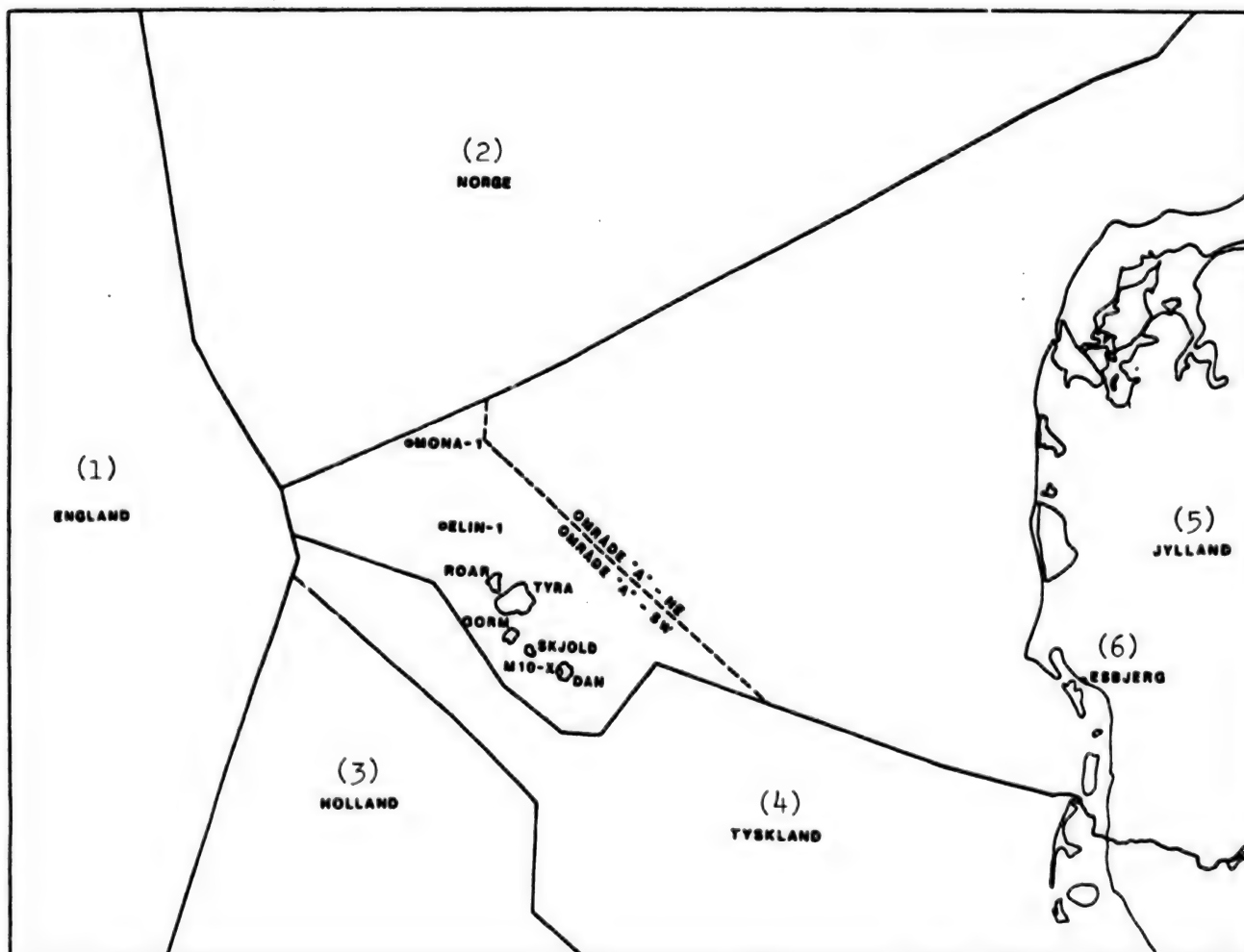
#### Has Handed Over Area

As far as the rest of the area is concerned, A. P. Møller already handed over half of the area on 1 January 1982--thus 12 months ago. At the end of 1983, A. P. Møller will have to hand over half of the area which the concern has got left at the moment, and the remaining half will have to be returned on 1 January 1986.

The stepped-up exploration has already given the first positive result. The Mona-1 oil drilling site, located 90 kilometers north west of the Gorm field, close to the Norwegian part of the North Sea, has, during the last 3 months been explored by the drilling rig "Dyvi Beta." Signs of oil deposits have been ascertained, and a number of production tests will now have to be made before it will be possible to chart the magnitude of the oil deposits. However, the A. P. Møller concern advises caution. Positive exploratory drillings have previously been followed by disappointing production tests. Most recently, this was the result of the exploration in the Jens-1 area, which is also located in the south-west area.

In a few days, the Mona-1 exploration will be followed by the exploration of the Elin-1 area, which is located 50 kilometers north-west of the Gorm field. This exploration will be carried out by the new Norwegian drilling rig "Dyvi Epsilon."

A. P. Møller's own drilling rig, the "Mærsk Explorer," also makes exploratory drillings in the south-west area. However, the two remaining drilling rigs, the "Mærsk Endeavour" and the "Dan Earl," will, until mid-1984, make production drillings for gas in the Tyra field. This takes place with a view to the commencement of gas deliveries for the natural gas project on 1 October 1984.



The map shows the area with the hectic exploration for attractive oil fields which A. P. Møller may keep.

Key:

- |                    |                                |
|--------------------|--------------------------------|
| 1. Great Britain   | 4. Federal Republic of Germany |
| 2. Norway          | 5. Jutland                     |
| 3. The Netherlands | 6. Esbjerg                     |

7262

CSO: 3613/49

## NATURAL GAS NET ADVANCING IN SJÆLLAND

Copenhagen BERLINGSKE TIDENDE in Danish 11 Jan 83 Sect III p 3

[Text] One of the last major orders for the main transmission system of the natural gas network has been placed with the Danish-West German consortium Arnton, Inc.-Mannesmann, Algebau, Inc.

It is a question of the laying of a pipeline over a stretch of 130 kilometers from the Great Belt to Dragør [on Amager]. Contracts have thus been given for the natural gas network up to the capital.

The work will be carried out from March of this year and will have to be completed at around the turn of the year, DONG [the Danish Oil and Natural Gas Company] reports. DONG, moreover, states that the contract amounts to 106 million kroner. The project will provide employment for 200 people, of whom only 150 are Danes, however.

In addition, DONG expects that an additional number of approximately 50 people will be employed by subcontractors.

With the above contract, the contracts for most of the main natural gas network have been given. Contracts for a couple of small stretches on Sjælland, viz. from Dragør to the Sundby Gasworks and from Hedehusene to Lynge north of Copenhagen, however, have not yet been given. Both stretches will be built later in the year. In addition, a number of contracts for the laying of pipes from Egtved in Jutland and to the north to the planned gas storage facilities at Little Thorup have not yet been given.

In the course of last year, the natural gas network was laid across Funen, and a pipe under the Great Belt to Kongsmark north of Korsør was completed last summer.

The vast distribution network, which will provide the individual homes of the entire metropolitan area with gas will not be built by DONG but by the Natural Gas Company of the Metropolitan Region, jointly owned by the municipalities, and the local distribution network in Sjælland will be built by the Sjælland Natural Gas Company.

The natural gas network is scheduled to have reached the capital during the fall of 1984.

7262

CSO: 3613/49

## BRIEFS

LOW NATURAL-GAS CONSUMPTION--The sales of natural gas from the Ruhr to North Schleswig customers via the Natural Gas South Company are considerably lower than expected. In October and November of 1982, the gas company only purchased a total of 132,500 cubic meters of gas--nearly twice as much had been expected. [Text] [Copenhagen AKTUELT in Danish 1 Jan 83 p 2] 7262

CSO: 3613/49

## ENERGY MINISTRY OFFICIAL DISCUSSES OIL GLUT

Oslo AFTENPOSTEN in Norwegian 29 Jan 83 p 5

[Article by Oil and Energy Ministry official Hans Henrik Ramm]

[Text] What will the long-range development of oil prices be? What effect will this have on Norwegian oil revenues? Will a decline in oil prices affect exploration activities?

These questions are being asked now that the OPEC meeting failed to agree on any strategy to hold oil prices at their old level. But it does not really make sense to place great emphasis on the events of the moment. Most people agree that oil prices could swing considerably in the short term around some "median curve." The reason is that there are tangible economic realities which are assumed to determine long-term developments, whereas in the short term these developments are determined by more ephemeral political conditions.

But there is considerable disagreement as to how the theoretical "median curve" will develop. So that may not get us much further.

One major theory is that the long-range curve will rise slowly, because oil is a limited and non-renewable natural resource. The more we use, the less the world has left, and the scarcer and more valuable the product becomes. Even if new discoveries are made, they will be smaller than the annual consumption. Thus, prices will sooner or later reach very high levels, it is estimated.

Another theory is that the price level today is actually quite high already because of the past success of the OPEC cartel. But every cartel falls apart sooner or later because the individual members eventually concentrate to an increasing extent on their own interests, which in certain situations can deviate markedly from mutual interests--especially if times are hard. That may be what is happening to OPEC now.

According to this theory, prices can be gradually forced down until they reach a level that is more affected by supply and demand, as is the case in most of the other big commodity markets around the world. From this level,

prices could follow a new and slowly rising long-term curve, but it will be low enough so that it will take a very long time before we reach the old high levels again.

In that length of time a lot of things can happen. A variation of this second theory is that in the interim we could experience a technological breakthrough that could in a sense put oil in a position more equal to that of other products. Today oil and oil products have almost no competition in many areas, for example as a fuel. In other areas, the alternatives are still quite expensive. But if totally new sources of energy are developed, oil could be less interesting as an energy staple. Oil will continue to be a valuable product, for example as a raw material for industry, but it will be less important to the international economy than it is now. In that event, the fact that it is in limited supply and is not renewable will have less influence on the market.

In the Oil and Energy Ministry, we are making no attempt to decide which theory is correct. But we are doing our best to follow the debate on the different viewpoints and we are selecting some possible courses of development that are representative of the main viewpoints that are most commonly held.

In the perspective report (Official Report No 40), we have presented two of these possible courses of development. In the high alternative, real prices remain at \$34 a barrel for the rest of this year and then increase 2.5 percent a year. In the low alternative, real prices decline to \$29 in 1986 and after that decline 1 percent a year. Today--after the OPEC meeting--some people would probably be even more pessimistic, at least in the short term.

Even so, this span of alternative prices leads to eyeopening results as far as our tax revenues are concerned. Under the low alternative, state oil tax revenues would hardly increase at all until the end of the century, even if we develop all the new fields we possibly can. But if prices follow the high alternative, these revenues would more than triple, from around 30 to more than 90 billion 1982 kroner a year.

The reason for the great uncertainty concerning revenue developments is that in practice the tax system places most of the price risk on the state. The impact on company profits is lower.

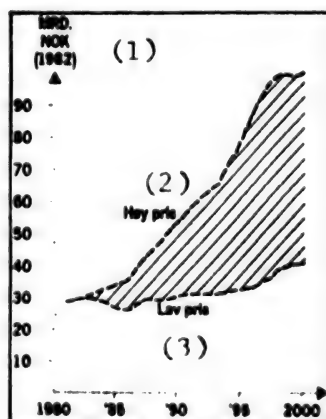
We also see the same thing when it comes to development costs. A general cost increase is expressed almost entirely in the form of lower revenues. Thus it is very dangerous for us if costs rise more sharply than anticipated, for example due to protectionist measures. In that case, revenues could actually be even lower than they are today, combined with a weak price development.

The uncertainty we see also shows us that we cannot plan oil activities according to the amount of revenue we want in the future. Instead we should safeguard ourselves and maintain a rapid enough tempo in developing

the oil fields so that we can at least provide ourselves with a reasonable guarantee that revenues will not decline. The perspective report tells us that in this case we must see to it that the oil companies implement their plans as rapidly as they can. It is equally obvious that we must not use all the revenues at one time in this country, in the event that they rise sharply for a period of time.

On this basis, it seems clear to me that it is not in the interest of the Norwegian authorities to reduce exploration plans, even if we now have a price decline. A price decline of this kind would not say anything about which main theory of price development will prove correct in the long run. The exploration we do now will lead to production in perhaps 10 to 15 years and we know almost nothing about what prices will be like then. But even if we expect low prices, it would be the right thing to do to maintain a high level of exploratory activity, because then we would have to produce more to obtain the same revenues--assuming, of course, that the activity as a whole remains above the margin of profitability.

It is more difficult to say how the oil companies will react. However I do not think short-term fluctuations will have much effect on them either. And as I mentioned, the state takes most of the price risk. A positive aspect of this is that it encourages the companies to maintain a high level of exploration. For those who have income from the continental shelf, it is also a factor that exploration costs can be deducted from the overall oil tax.



The graph shows how state oil revenues might develop according to two alternative courses of oil price development.

Key:            1. Billions of Norwegian kroner            2. High price  
                       (1982 level)                                        3. Low price

6578

CSO: 3639/61



## STUDY UNDERWAY TO LIBERALIZE PETROLEUM PRODUCT MARKET

Madrid EL PAIS in Spanish 22 Jan 83 pp 1, 39

/Article by Alberto Valverde/

/Text/ CAMPSA /Leasing Company of the Petroleum Monopoly, Inc/ will soon begin discussions with private interests in Spain's energy sector in order to plan for the required breakup of the monopoly on the distribution and sale of petroleum-based fuel products. The purpose of the talks between CAMPSA and the private sector is to propose to the government, as soon as possible (so that an evaluation may be made during 1983), the necessary arrangements for adapting CAMPSA's management and commercial structure to meet the requirements of free competition, brought about by Spain's entry in the EEC /European Economic Community/. Article 37 of the Treaty of Rome prohibits such government monopolies within the EEC.

The solutions proposed will have to comply with the political requisites stipulated in the government program backed by the head of the government, Felipe Gonzalez, in his inaugural speech. In any event, the present legal framework which regulates the CAMPSA monopoly will have to be modified. Gonzalez stated his intention to combine the primary fuel distribution monopoly, now under the general division of patrimony of the ministry of finance, into an agency of the INH /National Hydrocarbons Institute/. This transfer was also contained in the socialists campaign platform, as part of a strategy to rationalize the operation of the government energy sector by means of a centralized management. The integration of this system into an INH agency, combined with the disappearance of the commercial monopoly, will raise some serious questions about the distribution of its products to private energy enterprises. To date these matters have been resolved because of the existence of CAMPSA as the monopoly operator. According to some sources consulted, CAMPSA's role

as a monopoly organization to collect earnings and taxes on petroleum products will not be changed until the end of the transitional phase during which Spain will adapt to the EEC requirements.

The new directors of CAMPSA plan to open a process of exchanging ideas with Spain's private interests in the energy sector in the near future. In line with the government's wishes, they will explore the various alternatives for the required breakup of the monopoly on the distribution and sale of petroleum-based fuel products. The final objective of these discussions between CAMPSA and the private sector is to propose to the government, before the end of this year, some specific options for adapting CAMPSA's management and commercial structure to meet the requirements of free competition necessitated by Spain's eventual entry in the European Communities.

Although there are no preconceived ideas or formulas already developed about the type of alternatives that should be considered in these talks, it is true that the solutions proposed will have to comply with the political requisites set forth in the government program backed by the head of the government, Felipe Gonzalez, in his inaugural speech. In any event, the present legal framework which regulates CAMPSA's commercial and managerial monopoly will have to be modified by law.

For the time being, though, it seems certain, as some reliable sources told this journal, that it is not a matter of modifying CAMPSA's role as a government monopoly in the collection of earnings and taxes on petroleum products. That will not be necessary until the transitional phase of adapting Spain to the EEC has been completed. Rather it will be a matter of adapting the functions that CAMPSA, as the leasing monopoly, fulfills in the distribution and sale of petroleum-based fuel products.

In this respect, the new head of CAMPSA, Jose Maria Amusatogui, told the company's stockholders, in his speech upon accepting this position, of his firm intention to preserve "the key role" which the nation's leading enterprise (measured by earnings) can play in the necessary restructuring of the energy sector. Mr Amusatogui told the public and private stockholders of the company that "CAMPSA is above all, and fortunately so, a company..., a reality separate from the monopoly, capable of surviving, in the event that the monopoly itself should disappear."

## Community Requirements

The need to adapt CAMPSA's management structure to meet the requirements of Article 37 of the Treaty of Rome, which prohibits commercial monopolies within the EEC, has been reinforced by the government's policy, stated by President Gonzalez in his inaugural speech, to combine the primary fuel distribution monopoly, now under the general division of patrimony of the ministry of finance, into an agency of the INH. This transfer was also contained in the socialists campaign platform, as part of a strategy to rationalize the operation of the government energy sector by means of a centralized management.

The integration of this system into an INH agency, combined with the disappearance of the commercial monopoly, will raise some serious questions about the distribution of its products to private energy enterprises. To date these matters have been settled by means of the existence of CAMPSA as the monopoly operator.

Reliable sources within the INH admit that these problems will be the fundamental subject under discussion at the negotiations that will begin soon. Although these are complicated problems, they indicate, they do not appear to be insurmountable.

In this respect, some thought should be given to the forthcoming negotiation of a private law contract between the company that is entrusted with the management of the primary distribution system (which may be CAMPSA or another company to be established within the INH) and private enterprises which wish to have access to this system. This contract will establish the regulations governing the use of this system, which may be guided by the systems used by the various companies in the United States, or by other formulas used in some European countries. The stockholding structure of this company will have to be determined, although the government's commitment does seem to require that it be under government control.

## The Case of the Multinationals

The case of the multinationals in this sector which may wish to have access to the system and to Spanish markets will be something quite different. Here, other sources familiar with the issue speak of the advantages of the French model which, without violating Community legislation, has resolved the problem by regulating the matter in a public law contract which would of course have to originate with the government.

Sources within the sector point out that the objective that should be pursued by this legal instrumentation is the preservation of the true interests of the Spanish refining industry, especially at a time of serious crisis for this industry throughout Europe. Unfair competition should be avoided; this could mean, in a restricted system of crude purchases like the one existing in Spain, the free sale of spot purchases of petroleum products bought at sale prices.

On the subject of service stations, the sources consulted feel it is essential to maintain in some way the present system of distances /between stations/ which has governed the granting of authorization to establish these stations. This policy, which is used in the EEC in the case of Holland, would avoid the dangers of the French situation, in which the saturation of sale points makes many of these stations uneconomical. In any case, the Spanish regulations would require some modifications in the present legal framework.

The adaptation of the government monopoly to fit Community legislation, specifically Article 90 of the Treaty of Rome, will require a process of negotiations with the Community authorities that must be conducted along with the general talks. Sources familiar with this issue, who have studied it in depth over the past 2 years, feel that it will not be necessary to modify this monopoly for the time being, and that it may be possible to keep it until the process of adapting the Spanish economy to the European Community is completed.

In any case, the sources add, this adaptation will depend upon the prior modification of the tax structure on fuels. The gradual removal of the so-called petroleum fee, to be replaced by a higher pure tax rate, will, in the opinion of the sources we consulted, help to find a simpler structural solution.

7679

CSO: 3548/109

## GOVERNMENT TO ASK FOR NEW BUDGET CUTS FOR 1984

Copenhagen INFORMATION in Danish 21 Dec 82 p 1

[Article: "New Cuts In Several Months"]

[Text] "I believe it will be necessary to make additional cuts in the budget for 1984 in order to reduce interest payments, which constantly increase the deficit in state finances," Conservative Party budget chairman Lars P. Gammelgard told INFORMATION.

Gammelgard is not satisfied with government cuts for 1983 that already have achieved immediate savings of 34.7 billion kroner in the 1984 budget.

In its comments on the recently approved budget proposal, the government stated that real growth in the budget deficit had been halted. The increase in the budget deficit from 56 billion kroner in 1982 to 69 billion kroner in 1983 was caused solely by the growing burden of interest on the national debt.

"The government's original goal was to save 20 billion kroner in 1983 and 40 billion in 1984. We must reach that goal and readjust cuts already made for 1984. It is difficult to say how much more must be cut. That depends on future economic developments," Gammelgard said.

## 80 Billion In 1984

In recently published predictions, Privatbanken foresees an increase in the national deficit in 1984 if no new cuts are made.

"Even though budget cuts totalling about 23 billion kroner have been made for 1983, there will be a deficit in state finances of at least 70 billion kroner, or about the same deficit the former Social Democratic government faced with unchanged economic policies," economist Torben Nielsen wrote in the predictions. He also predicted that the national deficit would rise to over 80 billion kroner in 1984, "if no additional cuts are made."

Another important reason for the increased deficit, according to Privatbanken, is a sharp rise in unemployment by 40,000 workers up to 300,000 in 1983. Government economists predict an increase of "only" 25,000.

The government will begin negotiations for a new budget in the spring, in order to reach a compromise by May.

## PAPER SEES WAGE RESTRAINT AS MOST PROBLEMATICAL ISSUE

Copenhagen BERLINGSKE TIDENDE in Danish 4 Jan 83 p 14

[Editorial]

[Text] The philosophy behind the government's economic policy is that steady improvement in competitiveness will lead gradually to increased production and employment in branches of industry that must compete with foreign businesses. At the same time, there will be an increase in incentives for productive employment and growth in public consumption will be reduced. This will create the best possible climate for growth in private industry and prevent a further increase in the tax burden.

This philosophy is not bad. On the contrary, it is the most constructive way of putting the economy back on its feet, given current conditions. If the government is able to follow the course it has charted, there is a good chance for perceptible improvement in both the balance of payments and employment levels. Short-sighted, artificial measures to increase employment, expansion of the public sector, large subsidies to industry, and similar steps are "solutions" that will make the economic situation in Denmark even more serious in the long run.

It serves no useful purpose, however, to conceal the fact that the government will have an extremely difficult time putting this economic philosophy into actual practice.

The key to this economic policy is personal income. The government achieved its greatest success in this area by suspending the automatic cost-of-living increases through the end of this contract period. It is by no means certain, however, what effect this will have on wages on the private labor market. At the same time, developments on the currency market are reducing the international competitiveness of Danish industry, while wage increases are being limited drastically in many other Western countries. As a result, the much-needed improvement in competitive strength may not come about.

It is difficult to say what the government would do in that situation. Income policy is not a well-developed set of tools that can be used to achieve precisely the rate of wage increases that is desirable under specific currency conditions. According to all indications, however, it may be assumed that the



goal of a 4-percent ceiling on wage increases is too high in view of the present economic necessities. What is more, this goal is below the results we may expect from centralized and decentralized negotiations on the labor market.

The government's policies have been necessary, but the question is whether or not they will be sufficient.

9336

CSO: 3613/43



## OBSERVER DISCUSSES PROBLEMS STEMMING FROM FOREIGN BORROWING

Helsinki HELSINGIN SANOMAT in Finnish 18 Jan 83 p 21

[Commentary by Eero Helkkula: "Beyond Our Means to the Advantage of Foreign Countries"]

[Text] The Finnish Government's concerns over loans are smaller than Sweden's, but they are growing at a rapid rate here too.

The Swedish Government's total debt is approaching 300 billion marks, almost a fourth of which is obtained from abroad.

The Finnish Government's total debt is a tenth of Sweden's debt, or 30 billion marks, but almost two-thirds of it is obtained from abroad.

This year too the Swedish Government will get most of the 70 billion marks in loans that it needs from the domestic market while Finland will get most of its 12 billion marks in loans from abroad.

Most of the Swedish Government's interest and principal payments go to the domestic market. In Finland the situation is not so favorable.

This year the Finnish Government will be disbursing 6.7 billion marks in interest and principal amortization. It plans to procure only 3.2 billion of that through domestic public bonds. We will get 1 billion as an exceptional loan from the Bank of Finland under the circumstances.

Concern is growing. It is now estimated that interest and principal amortization will come close to 12 billion marks in 1986.

The government also has considerable revenue from outstanding loans which at present still cover about four-fifths of its debts. The average interest rate on these loans, however, is only a modest 3 percent, whereas the average interest rate on its debts is around 10 percent. Nearly a fifth of these loans are at about zero interest. At the rate things will be going over the next few years the total value of the loans will also be below that of the debts.

Three-fourths of the loans are government housing loans which the government probably wants to shift the burden of to the banks.

Cutting down on lending will not, however, go very far. Interest that has to be paid on national debts has already exceeded the amount of money that goes into housing loans.

Other expenditures also have to be reduced and/or taxes increased. The alternatives are few since the national debt spiral and the increase in interest that is paid on the debt are threatening to get out of hand.

We must bear in mind that Sweden's indebtedness also began at a modest level during the past decade. The rate of its growth is fast in Finland too, although at the start we were more successful in keeping it under control.

The Finnish Government will be able to pay 10 months of expenditures out of its regular revenue. Funds will have to be borrowed for 2 months of expenditures. To be sure, in Sweden they will have to borrow funds for almost 4 months of expenditures, but here we will be funded with foreign loans for over a month of expenditures while in Sweden it will be for less than a month.

Increasing borrowing from domestic sources is not as simple in Finland as it is in Sweden. There pension funds are available to the government in a different way than they are here and the capital market is better developed there. At least so far national wealth is also at a higher level.

The government's living beyond its means must be regarded as seriously in Finland as in Sweden. There will be a crying need for post-parliamentary election political leaders to reach practical conclusions.

11,466

CSO: 3617/59

## SERVICING OF MOUNTING FOREIGN DEBT FORCING BUDGET CONSTRAINT

Helsinki HELSINGIN SANOMAT in Finnish 18 Jan 83 p 20

[Article by Antti Blafield: "Chances for Recovery Squandered During Good Years; Finland Has Become a Prisoner of the Debt Automaton"]

[Text] Now, when we ought to be recovering, there is no money to do so. There is no money because we got so deeply into debt during the good years that there is no longer any room for assuming any more debts at the same rate.

The problem with Finland's national debt is not the amount, but its rapid growth. The current national debt, about 30 billion marks as of the end of last year, was amassed in 5 years. The bills are now due to be paid and they are like a snowball that gets bigger the more we try to take out a net loan to cover previous debts. Like Sweden, Finland has become a prisoner of the debt automaton.

This year the Finnish Government's foreign debt amortization payments will quadruple. While amortization came to about 600 million marks last year, this year it will amount to about 2.3 billion marks. This is the biggest problem and cause for concern in connection with Finland's national debt.

The zooming costs of servicing the foreign debt may constitute a bigger problem in Finland than in any other OECD country because Finland's foreign loans account for a larger share of the national debt than in the other Western industrialized countries. The foreign debt accounts for about 60 percent of the entire national debt.

When we add up the principal and interest payments on the government's foreign debt, the cost of servicing it will rise to almost 4 billion marks this year. It is estimated that a new foreign debt of about 5 billion marks will be incurred this year, that is, the cost of servicing the old loans is already almost as big as the amount of the new loan.

Since Finland's own money market is limited and cannot be expanded in terms of the international market, it is particularly difficult to effect a big increase in the national debt through domestic sources. This being the case, if deficit spending for national budgets increases at the same rate it has since 1978, we will have to fund it with ever larger foreign loans. Ever

larger because the costs of servicing the old debts devour ever larger sums and, if we want the new debt to cover just some of the deficit, it will have to be increased even more.

At the Finance Ministry they are afraid that indebtedness will become an automaton that itself feeds itself. If we borrow about 5 billion marks from outside the country this year, next year it could already be over 10 billion and over 20 billion in 1985.

The Finnish Government's foreign indebtedness began in 1978. At that time Finland was brought into an upswing by means of a recovery package which included tax reductions among other things. That recovery package was funded with a 4-billion-mark foreign loan. Over the next few years borrowing was somewhat reduced, but despite the upswing 1.5 billion marks were borrowed from abroad in 1975, over 2 billion in 1980 and 3 billion in 1981. Last year we dropped into a recession again and the foreign debt was increased 3 billion marks.

So now we are paying for loans assumed at the end of the 1970's and that burden will also continue during the coming years because we were incapable of breaking the debt cycle during the years of upswing.

In 1975 the government's foreign debt accounted for only 1.3 percent of the GNP but in 1975 that figure had already risen to 4.9 percent. By the end of 1981 the government's foreign debt already accounted for 5.8 percent of the GNP and at the end of last year 9 percent.

It is paradoxical that the government began to sharply increase its foreign debt just after the Bank of Finland had gotten its private foreign debts under control. In 1977 Finland's private sector foreign debt accounted for fully 21 percent of the GNP. In 1979 it had gotten it down to 15 percent and it is now about 16 percent. In other words, while the government has been getting into debt abroad, private foreign debts have been reduced in relation to the GNP. They are 7 percent.

Through the mouth of Finance Minister Ahti Pekkala, among others, the Finance Ministry has often reminded us that one of the reasons for the government's foreign indebtedness was precisely the attempt to expand the domestic money market. The government borrowed from abroad so that budget deficits would not put too much of a strain on business investment ventures.

Another just as big a reason for the government's resorting to foreign money markets was, however, also the fact that the bond market is restricted in Finland. Most of the government's domestic debt is funded by public bonds and a smaller portion of it is covered by loans from insurance and pension systems. Last year the government for the first time borrowed from the banks.

#### Debt Level Is Low

Finland is still a country with a very low debt. It still belongs to the same group that France, the German Federal Republic and Switzerland belong to.

In 1979 the national debts of the countries that belong to the International Monetary Fund averaged 111 percent of government expenditures. In Finland the national debt was at that time a third of all expenditures. This year the national debt already accounts for about 45 percent of expenditures.

However, Finland is still far from Sweden, in whose budget proposal the planned national debt for the budget year starting at the beginning of July amounts to 90 billion crowns. The country's total debt will rise to 470 billion crowns, which is 158 percent of the government's expenditures. It accounts for 150 percent of them in the budget year in progress; that is, the new Social Democratic government has resolved to get the country into an upswing through additional debt, cost what it may.

In the opinion of many, Sweden has already paid too much. The West German newspaper WELT AM SONNTAG estimates that Sweden will reach the end of the road in 1992. According to the newspaper, the fact that at its current rate of indebtedness Sweden is paying out as much interest on its national debt as the revenue it receives from taxes may be regarded as a signpost.

According to the budget proposal now being debated in Sweden's Riksdag, interest will rise to 56.5 billion crowns during the next budget year. Sweden will get only 40 billion crowns from income tax and 123 billion crowns from all taxes taken together; that is, interest is now already 45 percent of tax revenue.

In Finland government tax revenue will this year amount to 55 billion marks and interest expenditure altogether to about 6 billion; that is, in comparison with Sweden interest still accounts for a relatively modest 11 percent.

#### At the Mercy of Foreign Exchange Rates

There is, however, one essential difference in how Finland and Sweden are indebted. The bulk of Sweden's national debt, 80 percent of it, is contracted on the domestic market, although the foreign debt is sharply increasing. We could see the latest example of this last week when Sweden announced that it had contracted a 7-billion-crown private-sector dollar loan.

The other less-indebted countries also borrow mainly on their domestic markets. In this respect, therefore, Finland's national debt is much more dependent on foreign, particularly unpredictable factors.

While the government's foreign debt is at a fixed interest rate, that is, the interest does not change, but remains at the rate agreed on at the time the loan is contracted, it is subject to changes in foreign exchange rates. The dollar's sharp decline is an example of the fact that the cost of a loan may considerably rise without Finland's being capable of in any way influencing the matter. Finland's own foreign exchange rate adjustments are also immediately felt in terms of the loan balance. Last October's 10-percent devaluation also meant a 10-percent increase in the foreign loan balance, which at the time was 18 billion marks. That is, the decision to devalue meant an additional debt of 1.8 billion marks just like that, without the government's adding a red cent to its purse.

## Social Security System Cleaned Out

The economic package decided on in connection with the devaluation, that is, the increase in employers' turnover tax relief, will also probably mean an additional deficit of 1.3 billion marks for the national budget, which will have to be debt-funded. The funds of one magic domestic loan mill, the Social Security System, have also been reduced.

Finland is now in an awkward situation such that, in the midst of a recession, when it ought to be capable of recovering, that is, of supporting citizens' purchasing power and helping investments and itself investing, it does not have the economic means for doing so. There is no longer any room for adding to the deficit because that would mean a deteriorating loan spiral and less and less benefit from the debt.

At the Finance Ministry they all agree that the only way to get rid of the ever worsening debt automaton is to keep the government deficit in next year's budget down to at most what it now is, about 11 billion marks. If we can do this, taking the rate of inflation into consideration, it would mean about a 10-percent real reduction of the loan balance.

We feel that it is politically quite impossible for Finland to be capable of returning to the level of the mid-1970's, that is, of eliminating its deficit, with one fell swoop. Among others, a consequence of this would be a severe reduction in its social programs. On the contrary, this would be just what Ronald Reagan and Margaret Thatcher have been striving for and no one in Finland wants to be labeled a Reagan or a Thatcher, not yet at least.

On the other hand, Finland cannot fund tax relief measures or social programs like the pension package, for example, with foreign debts. Contracting a debt for unproductive projects does not make sense in terms of the national economy since they themselves do not produce money with which the debt might be paid off.

In Norway, among other countries, the national debt represents a much higher portion of the GNP than in Finland, about 30 percent, but it has used its loan to invest in drilling for oil, that is, Norway is now paying back its debt with just those investments.

**Ahti Pekkala's Headache: We Want to Get Taxes Down, Expenditures Up and Without a Loan**

[Interview with Finance Minister Ahti Pekkala by HELSINGIN SANOMAT; date and place not given]

[Question] Ahti Pekkala, how can we control the national debt?

[Answer] By improving economic situations. The national debt is the result of poor economic situations.

[Question] But borrowing also increased considerably during the good years of the economy from 1979 to 1981.



[Answer] The biggest borrowing year was 1978, when a national debt of 5 billion marks was contracted. After that the debt got to be slightly smaller. Since the GNP grew more rapidly during those years, the share of the GNP and budget totals represented by the debt was reduced.

On the other hand, 1982 was a bad year and the nation's indebtedness rose to about 8 billion marks. During a recession it is considered necessary to maintain a high priority status for employment. As far as I can see, there is no sector of the country that has not assigned a high priority to doing something about employment.

[Question] But wouldn't things be easier during the recession years if we had been satisfied with less borrowing during the boom years?

[Answer] If budget proposals had been approved by the government just as they were submitted by the Finance Ministry, the debt would have been lower. On the other hand, speaking of the national economy, we must remember that it influences the environment in a much different sort of way than private economies do. With the budgets effected during those years we got the GNP to grow faster than it might otherwise have grown. At a lower rate of growth tax increases might have been smaller but, on the other hand, unemployment benefits larger.

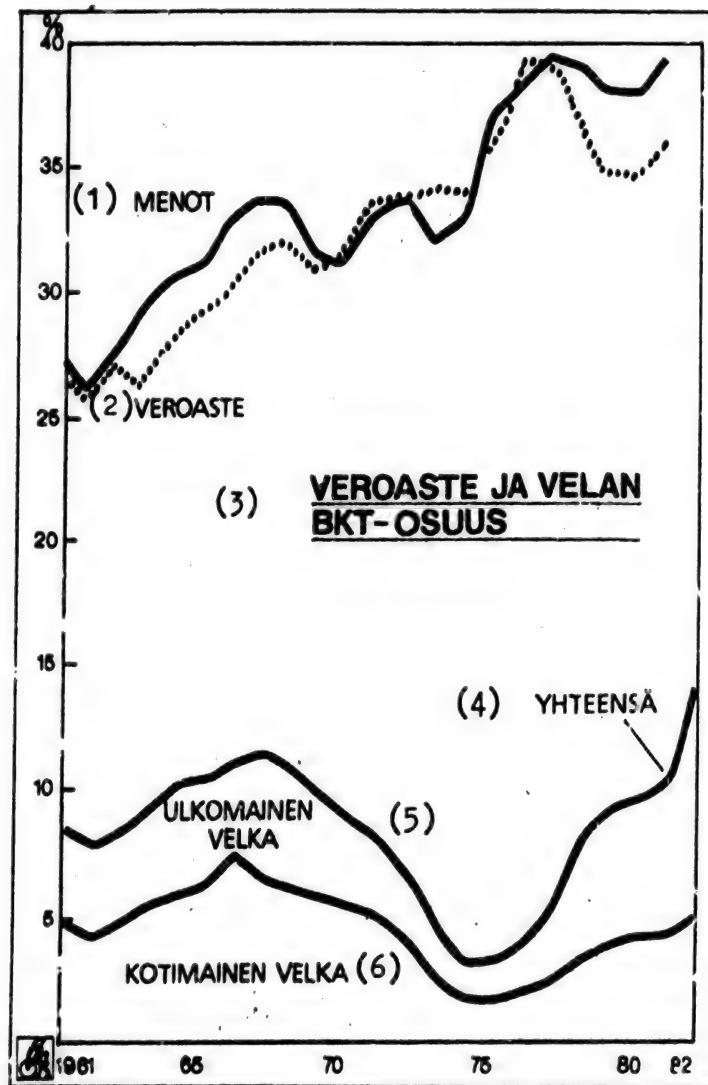
[Question] Since economic situations are, however, independent of us, what other ways of controlling indebtedness might there be?

[Answer] Eliminating expenditures. There are certainly enough to be eliminated if the political will to do so is there. Nowadays we often structure our thinking such that expenditures should be increased while taxes are being cut without increasing borrowing at all.

[Question] You have said that, if the current budget is a zero-line budget, next year's should be restricted. By how much?

[Answer] To a point where the expenditures needed to service loans are included, or if you prefer, to keep the debt from growing expenditures must be cut to the point where loan servicing expenditures increase. The cost of servicing the national debt next year will come to about 10 billion marks. The difference that remains when the expenditures for servicing old debts are subtracted from the new loan is available for the national debt.

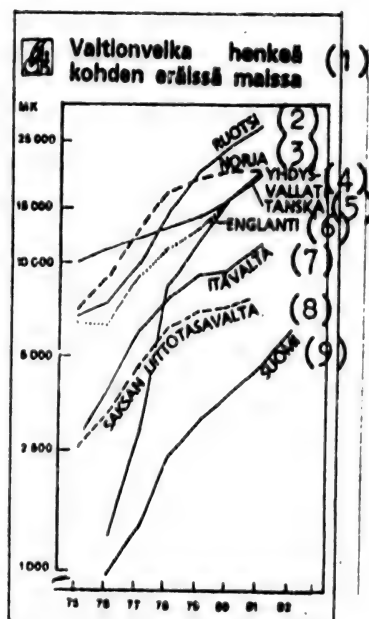




**Key:**

1. Expenditures.
2. Tax level.
3. Tax level and share of GNP.
4. Total.
5. Foreign debt.
6. Domestic debt.

The last time the Finnish national debt was at its highest point was in 1968 when it began to be deliberately reduced. Later national economy funding needs were met by raising the level of taxes up until 1978, at which time a reduction in taxes was again funded by contracting a considerably larger debt. We are now in a situation in which both the tax level and indebtedness are rising.



Key:

1. Per capita national debt in certain countries.
2. Sweden.
3. Norway.
4. United States.
5. Denmark.
6. England.
7. Austria.
8. Federal Republic of Germany.
9. Finland.

11,466

CSO: 3617/59

## PORT OF NANTES-SAINT-NAZAIRE BENEFITS FROM INVESTMENTS

## More Traffic in 1982

Paris LES ECHOS in French 15 Dec 82 p 13

[Text] While 1982 was a gloomy year for French ports with stagnating, if not declining, traffic, it was a record year for the Nantes-Saint-Nazaire port, whose good performance is in sharp contrast to the other independent ports. It increased its traffic by 10 percent, or 1.1 million tons more than last year, which ended at 14.2 million tons, a rather mediocre performance due to the general decrease in oil imports.

This growth should be compared with the decrease in tonnage of the other ports, ranging from 5 to 25 percent from Marseille to Dunkirk. This is all the more remarkable as it was essentially not the traditional traffic of this oil port (where hydrocarbons have up to now accounted for 70 percent of its total tonnage) that was responsible for this expansion, but primarily traffic regarded as the weak point of the port, i.e., miscellaneous merchandise or products related to agriculture, a growing trade.

This has occurred after a period of heavy investments over the past 6 years, beginning with the decision to install a methane terminal at Montoir and the consequences of deepening the Loire channel, and including the container terminal, the heavy cargo pier, the coal terminal, modernization of the Donges refinery, etc.

The independent port is now beginning to reap the fruits of the billion franc investment which completely changed the physiognomy of the Lower Loire and made it more dynamic. This is noted with pleasure by Michel Bayle, director of development: "The port has the winds in its sails now and is experiencing the development of the other large ports with a few years delay. We are now collecting the deserved reward for our efforts." It is true that 1981 was a particularly difficult year for the port, as it was deprived of liquified natural gas because of a failure of Algiers and Paris to agree on its price. With its traffic stagnating, empty tanks in the Montoir terminal and the increasing costs of maintaining the channel, the authorities considered a sharp increase in port fees, which has never been a good business practice.

Since then, things have returned to normal and 10 methane tankers pull into Montoir every month. However, people at the headquarters of the independent

port say that although Nantes-St. Nazaire has every reason to be pleased with its growth, the economic climate is not particularly favorable and there is talk of a freeze of port fees and loans at excessive rates, on the grounds that the port is in a "difficult transitional stage" with a budget that is hard to cut. "However, we have no intention of changing one iota of our development projects," Mr Bayle affirmed.

#### Twenty Million Tons Next Year

Optimism is on vogue at the port where record traffic for next year was announced at 20 million tons, or a 4-million ton leap, and at 25 million tons for 1985, which means an annual growth of 15 percent.

These are ambitious prospects to be sure, but they are perfectly reasonable and guaranteed in fact by the foreseeable increase in natural gas traffic (2.4 million this year, double that next year), oil (the Elf-Aquitaine refinery is fully completed) and coal.

The good performance of traditional traffic aside from hydrocarbons is also an encouraging sign. Nantes has strengthened its second-place position in timber traffic, which has increased by 5 percent, while the traffic at La Pallice has declined. The same is true of the road traffic between Montoir and Vigo: up 20 percent with 180 runs, as compared to 120 in 1981. Sheet metal and ferro-concrete, other conventional traffic have increased by 24 percent, as has the white iron produced at Basse-Indre (+31 percent). Dairy products are also increasing (+19 percent) and refrigerated beef exports have recorded a spectacular increase, rising from 12 tons to 8,300 tons, while flour in sacks (for the Middle East) has doubled its tonnage to 80,000 tons.

We could also mention the promising growth of the trade in frozen chickens produced in Vendee and South Brittany, despite increasingly tough competition from Brazilian chickens. The year 1982 has also been marked by the development of agro-food products, the result of long-standing commercial activities and the establishment of infrastructure at Montoir that has made it possible to receive large containers full of products to go for animal feed in the United States and Brazil. At the end of October, traffic in soybean cakes had increased by more than 65 percent and will amount to 800,000 tons this year, as compared to 586,159 in 1981.

#### Agro-Foods: Recovery of Tonnage From Other Ports

The growth in soybeans is even more spectacular: +80 percent! "The boom in our traffic in products in bulk for animal feed has not been taken from other ports in Brittany, such as Lorient or Brest, which traffic is growing, but has resulted from a recovery of the traffic which had been rerouted to northern ports and which represents the equivalent of 1.1 million tons."

"One-third of French consumption comes from Antwerp and Rotterdam, and, nearer to us, 3 months' consumption from Sarthe and Angers, which means a substantial additional cost because of rail or road traffic. Our goal is to recover a good part of this traffic that is escaping us and we are counting on a million

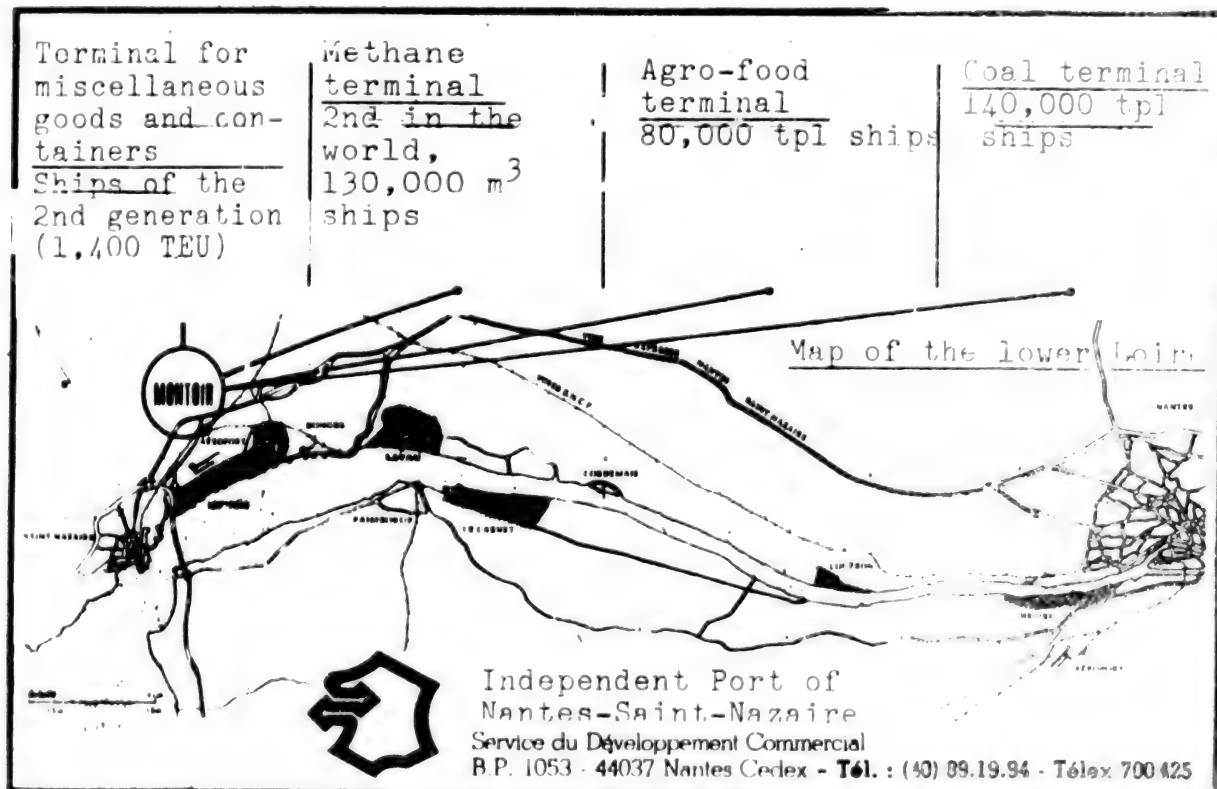
tons of soy cakes next year. With the agro-food terminal becoming operational in the middle of 1983, we can realize a 50-percent gain in time to unload the containers," Michael Bayle explained.

Moreover, traffic in grains (700,000 tons), which has tripled in 5 years (the best rate of increase), should realize 1 million tons next year, thanks to the recent exceptional harvest. It will benefit from a "relief" silo at Montoir, which will support the one at Roche-Maurice, bringing the ship cargo from 25,000 to 40,000 tons, instead of the current 25,000 tons. This opens up prospects of trade with the Far East.

As for miscellaneous merchandise, it will increase to 1.150 million tons (a 16 percent increase), even though the container terminal has only really been operational since the fall, which would lead one to expect a sharp increase in future tonnage.

One factor contributing to the recovery of the trade in goods in the hinterland of the port is increased traffic with the western coast of Africa and the creation of new traffic, a result of commercial efforts. "We have digested the channel, and we have terminals that we are trying to sell."

"We are going to pursue our activities to find other traffic," a port spokesman said, in referring to the new stage of development Nantes-Saint-Nazaire has just entered.



## Long-Term Prospects

Paris LES ECHOS in French 15 Dec 82 p 15

[Text] What will the port complex in the lower Loire look like in 20 years? To try to answer that, the independent port of Nantes-Saint-Nazaire has drawn up a blue book, a prospective aimed at defining the strategy for the layout of the estuary at the end of the century. This book is part of the master plans for land development and urbanization (SDAU).

This prospectus is organized into four main chapters. The first makes an inventory of the current situation and relates the lower Loire, with its strategic position as the number one port on the Atlantic coastline, to its maritime and land environment. It emphasizes the effort needed to modernize the service roads and lines in its hinterland, which is related to the more general problem still on the agenda of opening up the regions of the West.

One of the main points of interest of the blue book is that it outlines the prospects for developing traffic in the fifth largest French port over the long run. The prospects for Nantes-Saint-Nazaire are ambitious, as traffic is estimated to grow from 25 to 26 million tons, or double the current tonnage (15.5 million tons), in 3 years, by 1986-1987, to reach 37 million tons by the end of the century. This is a considerable growth that could be met by current port zones.

However, it is obvious that this increase in traffic over the next 2 decades will have to be accompanied by a development of the structures, both as regards the size of the ships plying the lower Loire, with a constant increase in the dead weight, as well as regards the packaging of goods (particularly with increased use of containers), which is in line with the port directors' idea to continue to increase the capacity of any new container terminal at Montoir.

Another interesting point in the blue book is its analysis of how the different ports could specialize, with Montoir being used for large ships with sophisticated cargo, Lavau receiving the traffic from heavy industry, while Carnet, located on the southern bank of the Loire, would encourage small and medium-sized industries. Nantes, handicapped by the fact that it is located too far from the estuary and its channel is too shallow for large ships, would keep some of its traditional trade, such as grains or timber, and would be oriented toward business.

These prospects are confirmed by the port's master plan which estimates for the year 2000 an annual tonnage of 31.2 million tons for Montoir and 2.4 million tons for Nantes, which would thus maintain its current rate of annual traffic. The unavoidable transfer of some of its activities, such as trade involving heavy goods in bulk, and miscellaneous merchandise (Canadian timber, containers) would be offset by developing specific new lines, such as in the area of liquid bulk items.

9805

CSO: 3519/203

## EFFECTS OF FOREIGN TRADE, SOCIAL ATTITUDE ON ECONOMIC POLICY

Paris LE MONDE in French 30, 31 Dec 82

[Series of Articles by Michel Beaud: "Socialist Economic Policy Put to the Test"--passages between slantlines appear in italic in the original text--]

[30 Dec 82 p 25 Part I]

[Text] The Failure of the Recovery Attempt

Professor of economics at the University of Paris-VIII and former member of the economic committee of the Socialist party, Michel Beaud is also the author of two books published by Seuil: "History of Capitalism (1500-1980)" and "Socialism Put to the Test of History (1800-1981)." In the following paragraphs he gives his thoughts on the social and economic policy followed since 10 May 1981.

Discipline, austerity, recovery--the same words can be used to analyze or to hide, to explain or to dissimulate.

When it comes to current economic policy, confusion is winning out. For several months the Socialists have been preaching austerity and consistency, but the Communists and the CGT regularly denounce the "presents to the employers" and plead for continued increases in the purchasing power of employees. A portion of the intelligentsia on the Left accuses the government in power of having a policy of the Right. Employers, however, have sounded the alarm, and have particularly emphasized the risk of smothering businesses. Small businessmen, professionals and members of the liberal professions have displayed their dissatisfaction.

What is even more serious is that the idea of government failure has been firmly entrenched in the opinion of those on the Left and of wage-earners even though this failure appears to be neither total nor irreparable. But, by refusing to admit this failure, the government has made it impossible to analyze and explain it. The government has also made it impossible to show how it intends to overcome this, which includes using measures opposed to those announced or implemented during the first year.



It is too vague to talk of a "second phase" or a "new stage." The failure must be recognized and its nature and scope defined in order to be able to explain how current measures will overcome it. This would be the ABC's of austerity. In any case this is a condition for the success of the current recovery policy.

The economic policy begun after May 1981 has partially failed, as shown by: the salary freeze of June 1982 and the extreme difficulty of continuing the policy of increasing low salaries; the imbalance in the foreign exchange and the weakness of the franc; the uncertainty, after 18 months in office, in defining a coherent strategy.

Of course, this failure is not total. The large-scale collapse that politicians on the Right announced has not occurred. Moreover, in certain areas France has done better than others in this current phase of the crises: Activity has been steadier, especially than in West Germany or the United States.

The increase in unemployment (which has now slowed) has been less rapid than in the United States, Canada or West Germany.

The purchasing power of the lowest categories has been maintained or increased, whereas elsewhere it has frequently been cut back.

And despite the difficulties that have been encountered, the economic policy followed by the Left has been watched with interest by the Democrats in the United States, as well as by a number of political officials in Canada, Europe and the Third World. Deflationary cures, which have certainly made inflation levels drop in several major countries, have not, however, created the conditions for a durable recovery. In addition, they have been accompanied by an extra surge in unemployment, increased pressures on the most defenseless social classes and on youth and disturbing economic and monetary changes.

#### Basic Changes

Lastly, during the first 2 years and despite the difficulties, the government has begun structural transformations and basic changes. The effects of this are beginning to be seen but will bear their full fruit only in years to come. In the large international turmoil this means being better able to control our collective destiny (nationalizations, renewal of planning, research efforts and impact of new productive programs). It also means strengthening and deepening the cohesion of our society on the basis of democracy (decentralization, new rights for workers) and fairness (solidarity, reducing inequalities). It means trying to have a hold on the directions in which the world is going by giving a new dimension to Europe and by establishing new ties with Third World countries.

/The goal is a big one: in the large-scale upheaval of this third great world crisis it means working to find ways which will lead to a more unified, more democratic, fairer and more fraternal world. To be able to follow this path, the Left must designate and then analyze the difficulties it has recently encountered in order to overcome them./

For the most part, the policy followed since May 1981 was developed and defined during the seventies--after a quarter century of growth which was exceptional both in size and duration and after the great confrontation of May-June 1968. When growth slowed, unemployment increased; Raymond Barre stated there was a need for austerity and the economists of the PCF and PSF developed another "policy." The "joint program" can be summarized as follows: increasing low salaries and low incomes was to enable mass consumption to recover (the goal of social justice) and to thereby revive economic activity. This, in turn, would create new jobs (therefore a decline in unemployment), reduce the use of productive capacities, and spread firms' fixed costs over a larger turnover, which would have anti-inflationary effects. The positive effects would not stop there: the economic recovery would result in an increase in tax and special tax receipts, which would reduce the national deficit, and deflation would improve competitiveness and the foreign balances.

#### All-or-Nothing on Growth

At the same time, the prospect of building a large anti-monopolist front was considered, which was not void of electoral considerations. The designated adversary, especially in PCF documents but also in many PSF documents, was "large-scale capital," monopolies and the "small handful" of profiteers. On the other hand, there was the cohesion of a variety of interests: not only of all workers, but along with them of all those who suffered from the domination of large-scale capital: farmers, merchants, craftsmen, some liberal professions and small and medium-sized firms. In the end few remained outside of this large potential group and, in fact, the increasing discontent in all of these categories contributed to the Left's victory in May-June 1981. But these social classes, strata and categories represented very divergent, and sometimes contradictory, interests. And with the current state of attitudes and behaviors only growth would have been able to reconcile them. This made the success of the recovery crucially important.

In the end the Left staked its all on growth...in the future. Growth would provide for the increase in low salaries and family benefits. Growth would provide for investment, modernization and the research effort. Growth would be the primary remedy for unemployment. Growth would erase public deficits. And once growth would be the answer to all the problems, there was no point in getting upset by talking about the world crisis--an unprecedented economic, technological and commercial war; there was no point in solemnly appealing to effort, sacrifices and mobilization; there was no point in taking the risk of upsetting or displeasing by showing the scope of the project and the size of the effort needed to accomplish it.

#### Divergences in Interest

This recovery, which was particularly difficult in the context of a world crisis, would rapidly come up against different obstacles.

Starting in May and June 1981, increases in low salaries gave rise to recrimination and discontent by many labor activities, sources of funds and small employers. In addition, the social measures, often deemed insufficient by

workers' unions, caused stronger and stronger opposition among employers, especially in small and medium-sized firms. The more rapid increase in low salaries, with the reduction of differences between salaries that this implies, affected all employees, who were used to a system of scaled increases in salaries (which in fact increases the differences in absolute value). Similarly, the new rights of workers in firms faced strong hostility from some employers, as well as distrust from some sectors of professionals and foremen, necessary elements to have the system as it now exists work properly. Thus, contradictions developed very early and made splits within what was to be the large antimonopolist group.

By fall 1981 the recovery plan may have seemed rather well in place: consumption and store purchases had increased, leading to a recovery in industrial production by the end of the year. But there was also an increase in imports that was both stronger and steadier than the increase in exports, followed by an atavistic reaction of providers of services, intermediaries, merchants, craftsmen, farmers and businessmen--the different categories that could have benefited heightened their pressure on prices. Most of our major foreign competitors had at this time begun a policy of reducing the inflation rate, and maintaining the inflation rate in France at its former rate was now not enough. The differential in the change in prices worsened and helped make it even more difficult to balance foreign trade.

So, while the CFDT alone stated that increasing low salaries would be a priority, the best organized and most well protected employee groups and categories, along with their unions, focused on demanding improved or steady purchasing power in general. French society had finally given up its categorical interests, its claims, its dissatisfactions and its wranglings, all of which fed inflation. And the cold shower of the wage and price freeze was needed to stop this dangerous trend.

The failure of the economic policy followed since May 1981 is above all the failure of the recovery attempt that had social and Keynesian overtones. But the growth expected from this recovery was the key to the ambitious policy of social progress and technological and economic development because it was to uncover the resources to rapidly improve the situation of the least favored and to begin the process of economic recovery. This recovery encountered two obstacles: external constraints and inadequate cohesion of French society toward a social project.

[31 Dec 82 p 22 Part II]

[Excerpt] Social Cohesion to be Rebuilt

The narrow path of recovery requires an effort designed to ensure social cohesion for government projects and the elimination of the external constraints.

The economic policy followed since May 1981 has stumbled on two points: external constraints and the lack of social cohesion.

External constraints for France have been stronger than ever. The share of industrial production that is exported is about 31 percent, while about 29 percent of the French market of industrial goods is supplied by imports\*. Dependent on energy supplies (petroleum products, coal, uranium) and many raw materials, France has also become very dependent on many industrial goods, both for equipment and consumption. Some are no longer produced in France, others are less competitive in terms of quality or price. In addition, belonging to the European Economic Community and to the European Monetary System limits the national margin for maneuver. On top of that there are the pressures on the franc due, in part, to the flight of capital, the foreign imbalance, the role of speculation and also to the policy of high interest rates followed in the United States for several months and which is liable to be continued after the American elections.

The external constraints are both sizable and varied. Trying to get rid of them by means of protectionist inspired defensive measures would probably start an uncontrollable series of events including retaliatory measures, additional export difficulties, a limiting of supplies and a sudden jeopardizing of the general level of purchasing power and of the current life style (which would probably not be well tolerated). And in the long run there would be the risk of the collapse and decline of an economy corrupted by group interests and planned restriction of production.

If the external constraints were to be relaxed, results could occur rather rapidly with a national mobilization to save energy and the development of decentralized, renewable energy sources, with the economy in the use of raw materials and with a foreign trade policy inspired by the United States and Japan--be intransigent, like them, on the principle of free trade and pragmatic in other areas. Recapturing the domestic market, like the capturing of new export markets, implies a strengthening and modernization of the entire productive and technological infrastructure, including nationalized industrial firms and all of industry, trade services and agriculture. Perhaps in this respect the nationalized banks could cooperate in implementing on a world scale the network to support exports that French businessmen were never able to do.

#### Strengthen the Networks of International Solidarity

The strengthening of the networks of solidarity and international cooperation of which France is a part could also work in this direction. The policy begun in France in May 1981, unlike the policies in the major capitalist countries, would have more of a chance for success if it were followed in a coordinated fashion by several countries in Europe in particularly close relation with several Third World countries. In addition, what Socialist or what democrat can accept the idea that in the upcoming decades the lack of potable water, malnutrition and famines will devastate several regions of the Third World? A powerful international action could confront this. France should commit itself to this, whether or not it receives opposition to this activity which would be favorable in terms of rate of growth.

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\*INSEE [National Institute of Statistics and Economic Studies], "Indicators of the Seventh Plan," No 15, July 1981, p 17.

During the crisis it is essential to ensure the cohesion and coherence of French society. France must refuse (reports have already been written to this effect) to allow part of the world of work to be jeopardized while the other part is relatively secure and integrated. It must refuse to resign itself to unemployment, with the upheavals and traumas and individual and social instability that it causes. It must refuse to let the technological change that is under way result in a dual society with, on the one hand, a small, somewhat "privileged," integrated minority of skilled individuals and, on the other, a large preserve of those in jeopardy, receiving welfare or on the outskirts of society. Lastly, France must reduce the different inequalities that divide our society--inequalities in income, personal wealth, job security, influence and power, culture and knowledge, and even more basic inequalities of total life span, total number of hours worked during a lifetime and ability to use educational, health and social protection services. Faced with individualism, faced also with the dual attitude of helping and being helped, faced with the nationalization of social life (and all the risks that go along with this), will we be able to invent the paths to a just and unified society in France today?

#### The Demand of Productivity

Nowhere has there yet been invented a Socialist way to produce, with different concepts of production and work, with different ways of living and consuming, with new social relationships. Only capitalist production and state production, both within the framework of a /world national hierarchical system/ dominated by capitalist logic, currently function and enable large-scale industrial and technological projects to develop. From now on /what is at stake is our ability to follow a policy of social changes in the direction of Socialism, while maintaining capitalist and state productions at full effectiveness and to do this in the context of a world crisis./

This has resulted in the enescapable necessity of competitiveness and productivity. With current forms of production, this requirement was greatly emphasized at the end of the sixties and during the seventies. A number of strikes at this time were collective protests against the excessive pressure on the requirement to produce, the frenetic rate of assembly lines, "the infernal production rates" and outputs based on the remuneration system. These production rates were intolerable for those subjected to them; with the same technology and in the context of the world economic war, they seemed to be the very condition for survival to the manager of some firms. To state that this question would be resolved by implementing new workers' rights risks fueling a dangerous illusion: in the long run, of course, the current transformation of structures, if it resulted in the expected changes in French society and the French economy, would lead to an increase in overall social productivity in France.\* But after a few years the logic of competitiveness implies a direct, increased productivity of work, which implies maintaining a heavy work load, either in rate or intensity. This question will be felt particularly hard in

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\*In the same way that, for reasons affecting the economic and social structures, but also attitudes, behavior and social relations, West Germany in the seventies and Japan since World War II have benefited from a high "overall social productivity."

certain nationalized firms, but also in many large or not-so-large private firms. The logic of production as it now exists contradicts the image of society as would like it to be. We also must avoid having this effort bear upon a fraction of the world of work.

Also involved in this is our collective ability not only to weather the crisis but to take charge of it and to use it to advance down the democratically chosen path, because the rank of different nations in the world system is defined during important crises and new technologies are invented and used, as are new forms of production and organization of work, values, life styles and social relations.

#### An Important Social and National Goal

During the current world crisis the success or failure of France's economic policy will depend primarily on the ability of our leaders to gather together the bulk of the social forces and to focus their energy on one project: the project of social cohesion founded on the basis of fairness and solidarity; the project of economic autonomy recovered in order to confront the dangers of the crisis and the challenges of new technologies; the project of an independent country helping to open an area of democracy and economic and social progress in the world between the superpowers; the project of involving all of French society, especially youth, in the great battle, in the great adventure of the current social, technological and cultural revolution of the end of the 20th century by giving priority, in the development of these technologies, to those that best correspond to the logic of the just, unified and democratic society toward which we hope to advance.

If it is taken on by the government, if it is clearly explained, if it is used to structure all of the government's activities, then this project could divorce the French from their skepticism and worry, divorce the categories from their personal interests, the most favored from their privileges and the young from their discouragement or despair. But the majority must become reconciled with each other and the rivalries of persons and structures must be curbed. Because (need it be said?) the failure of the Left will not help any element or any individual of the majority called to office in May-June 1981.

9720

CSO: 3519/244



## EMPLOYERS, TURNOVER, EXPORTS OF ALSTHOM'S ELECTRONICS BRANCH

Paris ELECTRONIQUE ACTUALITES in French 14 Jan 83 p 4

[Article by J.A. Bossard: "Alsthom-Atlantique Wants to Extend Its Brand Image"]

[Text] The familiar image of Alsthom-Atlantique, a firm of 45,000 persons, is centered mainly on big projects: giant oil-tankers, the lines of the TGV [High-Speed Train] and the turboalternators of nuclear power plants. For good measure, there are also many export successes in the thermal field and hydraulics. But as its top staff recently noted in a press meeting, this is not all. There is also the part comprising electrical equipment, transformers and fittings, which represents a considerable proportion of turnover. Now that the atom and a few big categories risk hitting a ceiling, it is important to be concerned with a broad, widely distributed clientele. Activation of a solid distribution network is a fundamental element in this regard.

Alsthom-Atlantique represents a turnover of about Fr 15 million, 40 percent of it invoiced abroad. This is a high score, but its directors recognize that they are very attached to the top-of-the-line approaches that create prestige and make money, while heretofore somewhat downplaying the many products that make for good relations with a potential clientele as vast as it is diversified. "The bottom of the line is an important medium of appeal," they are saying now, and electrical equipment is a considerable field for commercial progress. In fact, it currently represents Fr 3 billion, or 20 percent of the total. But with appropriate methods, it is a field of action that can still be broadly developed. And when a big firm wants to devote the necessary means to an end, it is rare for significant results not to follow.

#### The Sales Network

Alsthom-Atlantique's present network of agencies is already very dense. It is established in 34 cities of France, with 17 agencies and 20 decentralized offices. This activity employs 640 persons, including 300 itinerant engineers who provide the daily contacts with industrialists, with incorporators, managements, design departments and installers. This group of agencies is very well-equipped with modern means of liaison. It does not sell ships or locomotives, but it handles many problems at all levels. And for all the materiel going to the field of industrial or tertiary-sector equipment, support is drawn from wholesale distributors, electricians and mechanics, the number of whose sales



points is estimated at 300, with a very large increase in prospect. Among the seven divisions that the company comprises and that range from shipbuilding to mechanics--to which activities should be added that of COGELEX [expansion unknown], a group set up with CGEE [General Electrical Enterprises Co] Alsthom and building big public energy networks--the Transformers and Condensers Division and the Fittings Division, which constitute the electrical-equipment activity that is the subject of this article, are two units due, according to the declarations of their officials, for quite a big upswing.

#### Transformers and Condensers Division

This division employs 3,400 persons, and its 1982 turnover was Fr 1.24 billion, with 45-percent exportation. It is composed of Transunel at Petit-Quevilly and Fourchambault, and Alsthom-Savoisienne at Aix-les-Bains and at Saint-Ouen.

Transunel deals in transformers from 25 to 1,600 KVA and puts out 30,000 of them per year. Alsthom-Savoisienne builds the high-power units, the most recent of which go up to 1.65 million KVA for nuclear power plants, with voltages up to 800 KV, used in certain foreign countries. It also makes all the transformers and measurement reducers as well as the shunt induction coils used in the networks. And also the power condensers, medium and low voltage, which represent 5 percent of turnover. EDF [French Electric Power Co] is naturally the biggest French customer, and accounts for 30 percent of orders. The carrying-out of the nuclear program is still in full swing, but energy distribution is not keeping the same pace. The fact is that the building of new power plants is not mathematically connected with an increase in consumption. The withdrawal from service of certain thermal installations that have become unprofitable has to be taken into account, and the network is following a longer-term program. There are other customers--first of all, the coal companies, the SNCF [French National Railroads], the steel industry, chemicals and electrochemicals. But these last-named sectors currently are not getting much heavy investment. In the last analysis, and for a time, the private clientele, who are often served by installers and who are the ones with whom the sales network is in continual contact, and who as a whole represent one-fourth of production, should be a market susceptible to good progress.

The proportion exported is appreciable. It goes to countries such as the USSR, the United States, Canada, Brazil, Argentina, China and the Middle East, in the area of very high voltage. Three foreign subsidiaries--UNINDO in Indonesia, OASA in Spain and CMA in Brazil--are supplemented by licensees in Morocco, Japan, China and Lebanon.

One of the new products recently presented at the Elec exposition is the BT Securivar condenser of dry modular type. It is a means for building automatic sets for power-factor adjustment.

By investing more than 6 percent of turnover in new production equipment and CAO [Computer-Assisted Design], the division is confidently counting on increasing its impact on a vast clientele.

## Electrical-Fittings Division

This part of activities, installed at Villeurbanne, Macon, Chalon-sur-Saone and Saint-Quentin, makes high-voltage and medium-voltage fittings, network-protection and machinery-protection relays, as well as a vast range of low-voltage fittings. A long time ago, electrical-construction shops were inherited from Delle, and more recently, a part of Hazemeyer's program. To these must be added two subsidiary companies--Serem and Transpost--that make armored sets.

Electrical Fittings employs 5,200 persons and does a turnover of Fr 1.4 billion, or 9.5 percent of the total figure. The average rate of exportation is 36 percent, with top honors going to the high-voltage department, which sells 50 percent of its production beyond our borders. It must be said that there are fewer and fewer competitors in this area, because of the cost of research. Medium-voltage equipment and small fittings, which are easier to compete with, have lower rates, but approaches such as the SF6 and switchboard equipment in the form of circuit breakers in cast modular boxes are being led to penetrate into increasingly numerous areas in medium industry and the tertiary sector, where concern for safety is accompanied by the use of higher and higher powers.

## Toward a Falling-Off in Activities

The big energy programs are reaching their apogee, and emphasis is subsequently going to be placed on a more extensive and more reliable network, capable of bringing high magnitudes of power into enterprises that are going to use this source more and more. This prospect is not escaping the big manufacturer of Avenue Kleber, who wants to anticipate more deeply the needs of a very diverse clientele.

There has been practically no talk about future arrangements with the CEM [Electromechanical Equipment Co]. It was still too early, and it is a complex problem, though one can nonetheless note that a good many fabrication activities could in this way complement the sampling presented by the 34 sales points and the wholesalers that have the trademark. At the Elec exposition were seen a good many interesting new items--in particular, Unelec's series of Record circuit-breakers--but practically no contactors, even though they constitute an important element in the basic automatic devices. This might lead one to suppose that the negotiations with the BBC involve various phases that will be revealed, and their content made known, as matters proceed.

11267

CSO: 3519/279

## SHIPOWNERS REFLECT ON EFFECTS OF ECONOMIC CRISIS

Paris LA NOUVELLE REVUE MARITIME in French Jan 83 pp 78-79

[Article: "1982: 'A Frankly Bad Year'"]

[Excerpts] It was with this unoptimistic observation that, on 20 December 1982, Georges Thebaud, chairman of the Central Committee of Shipowners of France, opened his introduction to the 1982 edition of TRANSPORT MARITIME--ETUDES ET STATISTIQUES. The annual publication of this booklet is always an event, for in addition to the sum of information that it offers and gathers together, it is the occasion for an updating, at the highest level, of the French shipping industry's reasons for satisfaction and uneasiness.

It is uneasiness that prevails this year. This is not, of course, the first time that the shipowners have been alarmed at the simultaneous upsurge of two contradictory factors: a crisis of demand, taking the form of a decrease in need for transport, and a crisis of supply, due, for several years now, to the excess capacity of the world's fleets. A situation which, in Mr Thebaud's terms, engenders "shipping rates bottoming out at levels never before seen in the past, decommissioning at an accelerating rate, and bargain-market prices sometimes lower than those for scrap iron."

As for the French fleet, specifically, the key word for its evolution seems to be "adaptation":

- the only tonnage increasing is that of the bulk-transport ships, with a rejuvenated fleet;
- the ocean-going oil-tanker fleet, for its part, is continuing its downward adjustment;
- the passenger ships constitute a stable element, thanks mainly to the Mediterranean service.

On the whole, these various movements express a trend toward the balancing of supply and demand--an element whose positive character should be stressed; in effect, it does not signify a diminished presence--quite to the contrary.

The CCAF [Central Committee of French Shipowners] is pleased with, among other things, the fact that the "recovery and consolidation plan" established by the government for the years 1982-1983 has been oriented largely toward purchases of second-hand ships.

Among the 375 units that made up the French fleet as of the beginning of 1982, only 73 ships were more than 15 years old, and 95 percent of the fleet's tonnage consisted of ships less than 15 years old. But the evolution of ship ages shows a concentration around the middle age--that is, a rejuvenation of the oldest categories and an aging of the youngest ones. Concretely, this means that in 5 years, at the time when the directives of the 9th Plan are in process of application, there will be a problem of renewal. The solution for it could be found in a revival of commercial and technical research and/or a revival of competitiveness.

On balance, and without minimizing the difficulties in its trends, the French shipping industry stresses two positive elements in its present situation, on the international and domestic levels: on the one hand, its determination to cope, and on the other, its contribution to France's balance of payments. And it denounces, at a time when there is so much talk of a reconquest of the domestic market, the attitude of "certain professional categories in the ports" as a decisive factor in the turning-away of traffic.

11267

CSO: 3519/279

## ELF TO INVEST FR 10 BILLION, ENTER CHEMICAL INDUSTRY

Paris LES ECHOS in French 16 Dec 82 p 4

[Article by Ralph Back: "Elf To Launch Into Chemicals"]

[Text] After wavering for a long time, Albin Chalandon, the head of Elf-Aquitaine, has decided to go into chemicals. He had laid out an investment program of 1 billion francs a year for the next 3 years, as part of a multi-annual agreement with the government, under a 5-year and 10-billion franc investment plan.

His goal is to create a coherent complex that will be profitable and will make up for the money lost as a result of depleting the Lacq gas field. It is basically the same reasoning that preceded the purchase of Texasgulf.

The project is apparently so ambitious that Elf-Aquitaine, unlike Rhone-Poulenc and CdF-Chimie, had to delay sending in proposals for a "multi-annual agreement" that Jean-Pierre Chevenement, minister of scientific research and industry, had requested for 30 November. Mr Chalandon wanted to submit a coherent overall plan, covering not only investment, but also designed to solve all the problems involved, including, among others, the takeover of part of the assets of PCUK [Pechiney Chimique-Ugine-Kuhlmann] and the assets that the Total groups holds in ATO [Aquitaine Total Organico] Chemicals and Chloe.

Even if the General Company, in charge of evaluating the assets of these latter two companies to indemnify Total, will not be submitting its report before the beginning of 1983, we know already that it is estimating the total value of the two companies at about 1 billion francs. This is a sad situation when you remember that Chloe's assets were taken over from Rhone-Poulenc for 1.6 billion 3 years ago. Elf Aquitaine, which already holds 50 percent, would then only have to disburse 500 million. A separate evaluation of the assets of PCUK will also amount to 500 million.

Intervention by ERAP [Enterprise for Petroleum Activities and Research]

Of course, since its financial situation is far from being as prosperous as it was several years ago, these financial disbursements exceed its means. According to some information, it is assumed that ERAP, the government holding

company that holds two-thirds of its capital, is going to lend the money by buying into the capital of the new chemical company called to take over the "spoils" of PCUK, as well as ATO and Chloe. It seems that Mr Chalandon has definitely decided on a single company in which all the industrial assets of the three entities will be merged, with a president and a director heading the group.

The title of this conglomerate, which could be "Elf Chimie" is still unknown. According to some, the two leaders have already been chosen, with the first job going to an officer in Elf and the second to a man from PCUK.

Does this mean that the PUK will be able to keep a minority share? In a study of Elf's newsletter on "reorganizing the public sector of the French chemical industry," it says that for Chloe and ATO, Elf-Aquitaine will "take the majority position by capital increases, for which the group would like to have a new minority partner, that could help it defray the cost."

Are they thinking of ERAP, PUK, Total or a nationalized bank? Or, could there be several partners, it being understood that in any case Elf-Aquitaine will hold the absolute majority of the capital? The financial set-up, however, is far from being decided.

#### Elf and Rhone-Poulenc Face to Face

If the first problem is undeniably the financial arrangement which will be resolved in the near future, the second stage looks like it will be even more difficult, as it involves converting intentions into concrete industrial achievements. Recent decisions by Mr Chevenement to split the PCUK have certainly been very advantageous for Elf-Aquitaine.

These decisions in fact are in line with the group's proposals to give it the entire chlorine industry, the whole halogen chemical industry (chlorine, bromine) and intermediate hydrogen needed to make oxygenated water and its derivatives, while at the same time allowing Elf to stay in fine chemistry, where Rhone-Poulenc was counting on keeping its monopoly.

Nevertheless, after the Solomon's judgment of Mr Chevenement, bitter negotiations between Elf and Rhone-Poulenc are still ahead, even if the two groups reach an agreement to simultaneously develop fine chemistry of fluorine.\* As someone at Elf said, "finally, the new structure of the public sector is flexible enough for there sometimes to be two powerful industries in the same sector, whereas in others only one will remain."

Restoring order to the Elf chemical industry in its new form implies agonizing changes. The first decision has already been made: one of the two Feyzin steam crackers will be shut down, to the benefit of the Naphtachimie one (where Chloe is involved) at Vavera, while waiting to settle the fate of the other Feyzin unit which is in balance with the two Carling units owned by CdF-Chimie. France's ethylene capacity is nearly 3 million tons a year, while consumption this year was no more than 1.7 million.

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\*The other industries belonging to the group are as follows: bromine, thermal phosphorus, solvents and amines, and finally ethylene oxide and its derivatives.

For chlorine, too, decisions must be made, since Elf does not have market outlets for soda like Solvay, which manufactures sodium carbonate, an important advantage. And finally, delicate arbitration between various sites is going to have to be conducted in order to reduce excess output. This is true of Jarrie near Grenoble and Saint-Auban in the region of Marseille. Thus there are weighty decisions to be made regionally and socially.

Mr Chalandon is throwing out a challenge: The French chemical industry is indeed sick, but the sickness is not irreversible. Will he be able to "clear up the past" to open the way for Elf-Chimie to enter an era of profitability? He is convinced that he can, provided the government gives him enough freedom of action and the necessary means.

In making this commitment, he is helping Mr Chevenement get out of a sorry mess; Mr Chevenement wants to make nationalized enterprises dynamic and competitive groups.

9805

CSO: 3519/204



ECONOMIC

FRANCE

BRIEFS

HELICOPTER CONTRACT WITH YUGOSLAVIA--Aerospatiale and the Yugoslav government have signed a new contract to grant a license and provide cooperation to build Aerospatiale's SA-342 Gazelle helicopter. This contract provides for assistance over a period of years. It follows a similar one concluded in 1971 by the same partners to build the SA-341 H-Gazelle helicopter in Yugoslavia. [Text] [Paris LES ECHOS in French 21 Dec 82 p 4] 9805

CSC: 3519/204

## BRIEFS

FISHING DIFFICULTIES WITH MOROCCO--The "Helma," a Portuguese fishing boat, which was seized about 2-1/2 months ago and is being held at the Moroccan port of Agadir, may be in danger of being nationalized by that country. Jose Buzio Guilherme, the ship's owner, was officially informed through the Portuguese Embassy in Rabat that, unless he pays the \$70,000 fine within a few days, the "Helma" will lose its nationality. The 20-meter ship has a capacity of about 50 tons and a crew of 15 men. This is the second time that the "Helma" is being held by the Moroccan authorities, the owner having already paid a fine of 1,750 contos. The second seizure took place when the ship was headed toward the Canary Islands with about 800 kg on board. Meanwhile, a representative of the owner revealed that, at the time of the seizure, procedures were underway to integrate the "Helma" in a joint company. The same source also said that the owner is willing to bring the ship back as property of the joint company, as evidence of good faith. Meanwhile, another Portuguese ship, the "Mar da Galega," also seized by the Moroccan authorities, will have to pay a fine of 4,000 contos to return to Portugal. Despite the problems which have developed between the national ships and the Moroccan authorities, it is estimated that more than 100 fishing boats are operating illegally in Moroccan waters. [Text] [Lisbon O DIA in Portuguese 12 Jan 83 p 10] 8568

CSO: 5200/2526

## LABOR MINISTER ON NEW 40-HOUR WEEK

Madrid EL SOCIALISTA in Spanish 28 Dec 82 - 4 Jan 83 pp 28-30

[Interview with Labor Minister Joaquin Almunia; date and place not specified]

[Text] Reduction of the legal work-week to 40 hours is already virtually a fact. The executive branch has approved the last Council of Ministers' proposed legislation, and following the usual parliamentary procedures, the project may become law within 6 months. For the time being, the issue will have a direct effect on collective bargaining, since discussions between labor unions and business will begin in the context of a fully disclosed government plan.

Concerning the scope of this measure, which according to Labor Ministry estimates will affect 4,500,000 workers, Joaquin Almunia, who is the labor minister, told EL SOCIALISTA that "the matter has been regulated by law not only because the Constitution so requires, but also because individual rights, among which is the right to work, cannot be regulated by fiat, but must be regulated by law."

[Question] Some say that this projected law may harden collective bargaining even more than what was predicted for 1983.

[Answer] I don't think so. Since the Socialist Party won the elections last 28 October, everyone knows it has an absolute majority, as well as the confidence necessary to carry out its programs. And those programs already included a reduction in working hours and an expansion of vacation time. What I do think is that this is the best opportunity to launch the program, since it will prevent distortions and uncertainty among participants in the social dialogue. In any case, if the government had delayed publication of the project for 3 months, that would have distorted collective bargaining indeed, in the sense that one party or the other might have speculated on what the Cabinet's position would be.

[Question] But don't you think that it may leave each of the parties in a somewhat brutal initial bargaining position, since the CEOE [Spanish Confederation of Business Organizations] has indicated it would not accept such a position without an equivalent reduction in wages.

[Answer] This is not the first time that this attitude by business, of negotiating on the basis of wages, has come up. Business has already taken this position on other occasions before beginning either over-all or industry-by-industry negotiations. From the point of view of businessmen about to negotiate, this seems to me a fairly logical attitude, as does the opposing attitude of the unions. The result will thus be whatever bargaining sessions and dialogue between the two parties happens to yield, in total autonomy.

[Question] In addition to knowing that 4.5 million workers will be affected, does your ministry know which industries and firms will be most affected by this measure?

[Answer] On the average, we estimate that the workers most affected will be those in the agricultural sector who are not self-employed, those in small commercial establishments, restaurants and hotels in general, again where the workers are not self-employed, and in the construction industry. Workers in these three sectors will benefit most from the measure, because there is now a large difference between the annual work obligation they have contracted for, and that provided for in the new legislative proposal.

#### Overtime

[Question] Precisely those sectors, it would seem, which could best take advantage of overtime to make up for reduced working hours.

[Answer] It doesn't have to be that way, since the Workers Statute sets a limit on the overtime hours that each firm can require, and this aspect is not changed by the new proposal. The maximum work time per day allowed by the Statute is 9 hours. There is thus a legal limit preventing further work hours. In addition, we also have the two mark agreements and the ANE [National Agreement on Employment], which include clauses agreed upon by both parties to set a maximum limit on overtime hours and reduce them to the initial goal set out in the Workers Statute. All in all, something else must be said, and that is that, in spite of legal limits on overtime hours, and in spite of over-all agreements reached by both parties on these topics, nevertheless, in practice, more overtime hours are being worked than the law allows, and this practice erodes solidarity between those who have jobs and those who do not. Naturally, if the negotiating parties are not convinced of the need to reduce overtime to a minimum in order to create opportunities for additional employment, then no matter how many limits the law or the government sets, the practice will continue. And this should not be the case in a situation where there is unemployment, as is the case now.

#### Standardized Working Conditions

[Question] The government is presenting this project not only as benefiting active workers, but also as a condition for creating more jobs, while businessmen are coming out with studies in hand to show that it will create not more, but less employment. What is the truth of the matter?

[Answer] If a reduction in working hours is seen from a static point of view, there is no reason why it should create more jobs. Now then, if we take the hypothesis put forward not only by this government, but also by every international agency, to the effect that the next year to year-and-a-half will produce the beginnings of an economic recovery, we can conclude that as reduced working hours limit the earnings generated by economic recovery, they must also result in the creation of new jobs. To put this graphically, in order to see it more clearly--instead of allowing the river's current to flow unchecked, which could result in flooding or droughts, it is a matter of creating a channel through which the beneficial effects of economic recovery can be made to flow toward the creation of new jobs.

[Question] Concerning expansion of the bureaucracy's working day, nevertheless, isn't that contradictory to the new legislative proposal?

[Answer] No, what the new legislative proposal we have submitted is trying to do is standardize working conditions among the different type of workers. The bureaucracy has widely varying working hours, depending on the various agencies and ministries, but there are many staffs in the service of the administration, including both officials and other workers, who have an actual, not a theoretical, work-week of between 26 and 30 hours.

It seems logical enough to ask that workers having longer working hours benefit from a reduction, while government workers who, in many cases, work less than their theoretical work-week, spend a little more time, expanding their week from 26 to 36 or 38 hours, which would seem to be a more adequate schedule for performing the services that the government owes its citizens.

#### Social Security Reform

[Question] Concerning social security reform, and concretely the pension fund, some think they see in the government's position a rapprochement with positions adopted by the CEOE. Is this really true?

[Answer] Much remains to be done in the way of social security reform. A reform of this type cannot be accomplished in a short time, because it first requires a series of small reforms in the system of contributions to the fund and the structure which has been taking shape. What I have said is that the final process of social security reform, following a process of small, anticipatory reforms that will take several years, will consist of three levels.

One level will consist of aid programs to benefit all Spaniards and will be financed through the national budget. A second level, to be charged against contributions made by businessmen and active workers, will be restricted--that is, it will provide benefits for those who have contributed to the fund. And a third level, finally, free and complementary, which anyone may join voluntarily, as may anyone who wishes to expand the services available to him through social security. In any case, these funds will not be under the jurisdiction of the minister of labor, although he will be charged with drawing up regulations for what will be a legislative proposal by the minister of the treasury, just as in the case of insurance or any other type of underwriting agency. The Pension Law may not in any way regulate the pension fund. This in no way represents the spirit of this administration.

[Question] Will unaffiliated workers have to contribute, given the meager benefits provided by social security's social pensions?

[Answer] We intend for mandatory assistance pension levels to be adequate. But in a moment of economic crisis, such as during falling employment levels in 1974, when there were less and less contributors and more and more recipients, this is impossible. In view of the redistributive effort the government must make to insure that minimum benefits do not drop below mandatory assistance levels, it is logical to assume that certain groups of workers capable of complementing the fund will not fail to do so.

[Question] There is also talk of the government reducing the level of payments into the social security fund. How much will they be reduced?

[Answer] The PSOE [Spanish Socialist Workers Party] promised to reduce payments into the social security fund by 20 percent, which, translated into points, is equivalent to a 6-point drop in social contributions over the next four years. If introduction of the value-added tax, which logically must take place during the current legislative session and under a socialist government, should permit, as it would appear to do, an increase in government's share in financing social security, then there could be an even greater drop in points. There is already an attempt underway to reduce 1983 contributions, but until the proposed budget is complete, it is impossible to predict how much next year's contributions will be reduced. Nevertheless, it must be said that just as some social contributions will be reduced, others will have to be increased, such as the unemployment fund and the Guaranteed Wage Fund.

#### Amendment of the Basic Employment Law

[Question] Concerning the 15 billion-peseta unemployment fund established by the ANE, of which 11 billion remains, it has been said that it will be maintained until it is exhausted. Is it the government's intention to renew it after that?

[Answer] It is not a matter so much of repeating the experience of this particular fund, but of preventing sums paid into the fund by businessmen and government from being transferred to the Treasury simply because they have not been spent. It is the government's intention, and this will be regulated within the next few weeks, for sums remaining in this fund to be spent completely. What the fund actually did was to fill the gaps left uncovered by the unemployment funds derived from the Basic Employment Law [LBE]. But it is the government's intention to amend the employment law, so it will not be necessary to create a new fund of this type.

How far we can go in amending the LBE is something that cannot be announced yet, because this is an extremely serious topic, and we must study the need for increased coverage, as well as the costs of such an increase.

Sums allotted for unemployment services are so high that we must perform careful studies to be sure that aspects incorporated into the law can really be covered with the resources available.

The situation will be much easier, and unemployed persons will be much better covered, to the extent that unemployment is reduced, since, while there will be more and more contributors to the fund, there will be fewer unemployed in need of coverage.

[Question] But, according to reports recently published by the OCDE, unemployment, far from slowing down, may rise to as high as 17 percent next year in our country.

[Answer] Well, we have said, in commenting on the latest unemployment figures, when they rose by 100,000 for the month of November, that the PSOE's goal of creating new jobs may, at a given moment, have generated certain expectations among certain groups in society that up to now have never even contemplated the possibility of getting a job, who thus did not register at the employment office. Many of the so-called "discouraged" workers may now go the employment office and ask for a job. This does not really mean that unemployment rises, but only that expectations of finding a job are on the rise, which is why more individuals register at the employment office.

[Question] And might this not discourage people?

[Answer] I don't think so. Because the simple fact of registering at the employment office produces a result that appears to increase unemployment, but does not in fact. What could result in discouragement as if the government fails to carry out its electoral promise of creating 800,000 new jobs over a period of four years. But this will be done, because the government has the will and is focused on this as a priority.

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CSO: 3548/70



## LABOR-MANAGEMENT BATTLE OVER WAGE SCALE

Madrid EL PAIS in Spanish 22 Jan 83 p 35

[Article by Rodolfo Serrano]

[Text] Madrid--The Spanish Confederation of Business Organizations (CEOE) will not accept a wage scale that provides for a maximum hike of 13 percent, an authorized representative of the confederation stated. His assertion clashes with the statements issued recently by the unions, which have made a wage scale with a 13 percent ceiling a question of principle. This is not, however, the key issue in the discussions that the labor commission has been engaged in in recent days. The commission was set up to find a way out of the standstill in the negotiations on the interconfederation accord for 1983.

The labor commission met again yesterday after failing to make significant headway at its previous meeting on Wednesday. According to reliable sources, its discussions have focused on the issues of the work week and the wage adjustment clause. At the Wednesday meeting, which lasted about 2 hours and was conducted in total secrecy, the parties stuck to practically the same positions that have been dominating the public negotiations.

In spite of the assertion that the CEOE would not accept a wage scale with a 13 percent ceiling, certain business circles hinted that it would depend, in any event, on the concessions that it might secure in connection with the work week and the wage adjustment clause. In regard to the latter, the commission has studied deindexing certain components in the consumer price index (CPI). Under management's initial offer, all price increases not caused by business activity itself would not be figured into the index.

#### Slight Changes

This initial stand has already undergone some changes, and the unions are reportedly willing to accept that the rise in gasoline prices would not be taken into account for wage revision purposes, as has already been done under the National Employment Accord (ANE). What seems absolutely

certain, however, is that the CEOE will not agree to a clause such as the one in the ANE, which places average wage hikes above previously decided levels. Management's stand is that the goal of keeping wage boosts two points below the anticipated CPI was distorted by the aforementioned wage adjustment clause. In any case, managements notes, wage hikes have exceeded the 13.5 percent rise in the CPI.

Furthermore, business circles are speculating as to what wage bill to consider when the time comes to agree on an increase for 1983: the bill that was actually agreed on, in other words, the 1982 wage bill plus two points less than the 1982 CPI, or the real bill, taking into account all increases, even the ones that exceeded the ANE provisions because of the 6-month adjustment.

Labor circles stressed that a wage scale with a 13 percent ceiling was a nonnegotiable point, denying that the ceiling might be set at 12 percent. The same circles gave assurances, however, that the unions might drop the scale's lower end, thus giving the businesses that are having problems some leeway in negotiations. In spite of these assertions, certain circles have begun to detect a softening of labor's stands. It is significant, though not decisively so, that the bargaining platforms of FEVE [Spanish Narrow-Gauge Railroads] and RENFE [Spanish National Railroads], which had called for hikes of 14 and 13 percent respectively, were hastily modified by the expected rise in the 1983 CPI.

The formal meetings of the negotiating commission, which will resume this coming Monday, will be able to take advantage of any progress that the labor commission makes over the weekend, when it will supposedly meet again, though as of yesterday little headway had been made. It seems unlikely, however, that final agreements can be reached as early as Monday, in spite of the progress represented by the decree on boosting Social Security contributions, which did not turn out to be as bad for business as the employers group had initially anticipated.

Management has pointed out that it does not need an accord for negotiating the upcoming contracts, inasmuch as the initial contacts have laid the psychological groundwork. In the judgment of these sources, an unfettered negotiation would produce greater concessions than could be achieved under a pact between labor and management.

In the view of these sources, the workers and their unions have decided on a wage scale of between 11 and 13 percent and would propose such hikes in contract negotiations, while management would counter with an offer of 8 to 10 percent. Contract negotiations customarily start with offers that are far apart, with boosts eventually set somewhere in between. Management's stand also reflects a certain degree of assurance that there will be little or no labor strife this year. Management's assessment is influenced by its belief that the unions want smooth negotiations as free as possible from conflicts that might tarnish the Socialist government's image.

## PREDICTIONS, POSSIBLE SOLUTIONS TO ECONOMIC PROBLEMS

Madrid ABC in Spanish 14 Jan 83 pp 22-23

[Article by Manuel Marquez Balin: "The Spanish Economy in 1983"]

[Text] The number one concern of all Spaniards as this year begins is the state of the economy, including the business crisis, unemployment, rising prices, taxes... This arresting issue will be discussed below by Manuel Marquez Balin, the president of a large multinational corporation, Standard Electric, an affiliate of ITT, the world's number one telecommunications company. He will venture his predictions for 1983 and indicate possible solutions to problems involving the budget, jobs, productivity, exports and capital in investment.

In attempting to forecast the performance of Spain's economy in 1983, we obviously have to consider two particularly decisive conditioning factors:

--The stagnation and financial crisis that characterize the world economy.

--The major policy decisions that our new government's economic team eventually makes.

As far as the former, the world economic outlook, is concerned, we will merely outline a few ideas that we regard as important and that, of course, must be taken very much into account in analyzing the various options available to us in managing the Spanish economy.

I would underscore, first of all, that the economic policy models that the governments of various countries have been adopting are of necessity increasingly dynamic and, therefore, subject to frequent corrections. I would add that excessive dogmatism has been practically eliminated and that when faced with the difficult choice between strict monetarism to choke off inflation and pump-priming prescriptions to end the trauma of mounting unemployment, governments today usually prefer some degree of pump-priming along with a "gradualist" approach so that they can nip in the bud any renewed outbreak of inflationary pressures that might eventually scuttle a recovery.

We can thus see today how the strict monetarism of the U.S. Federal Reserve Board and its chairman, Mr Volcker, has loosened to a degree that would have been unthinkable just a few months ago and how the United States' growth targets are still, however, quite cautious (three to four percent), in keeping with the aforementioned principle of a gradual recovery.

Another aspect of the world economic situation that we feel bears mentioning has to do with the severe financial crisis that is today besetting so many of the so-called "less developed" countries, which are bent on rescheduling their sizable foreign debts and, what is perhaps worse, pursuing policies to sharply curtail their imports, which could give rise to clear-cut protectionist moves in the industrialized countries, whose export potential would be thus severely restricted. Furthermore, in discussing these momentous financial negotiations, we find it interesting that because of the need to assure the future solvency of the borrowing nations as much as possible, international banks or the IMF are automatically becoming the demanding underwriters of earnest and rational economic programs that the countries in a fix have to implement, tempted though they might be by another ideology or simply by demagoguery. This highlights an odd and perhaps unexpected function that these international financial institutions are now discharging: they are administering a sort of "anti-extremism" vaccine whose harmonizing effects are highly beneficial in our interdependent world today.

Now that we have examined the world outlook, we can draw a few major conclusions as a starting point for our analysis of the situation in Spain:

--We no longer live in an era of excessive economic dogmatism, much less in a world where ideology predominates. Rational diagnosis and professional approaches are increasingly becoming the essential tools of the trade.

--No specific program or course of action can resolve, in the short run, the serious problems of unemployment, inflation, government budget deficits, the external deficit, the lack of investor confidence, etc. Any single-minded attempt to correct one or several of these problems will aggravate the others, which will then force a change in approach. We could call this a self-correcting mechanism that forces us to pursue extremely gradual, tenacious and patient policies.

--Therefore, we cannot expect a quick or sharp recovery of the world economy, and the countries that we have always spoken of as having a "locomotive effect" (the United States, Germany, Japan) will not play a major role this time, at least not for some time. Protectionist policies cannot be ruled out.

Now then, if we accept all this, what economic policies should our brand-new government pursue? What results can we expect in 1983?

Let us begin by stating that in our judgment the government can achieve the moderate growth goal (2-2.5 percent) that it has set for this year, that the unfavorable unemployment trend cannot, however, be quickly and sharply reversed but that the groundwork can be laid for higher growth targets and for more ambitious employment goals in subsequent years.

It is thus not at all easy to list the policies for achieving these objectives. Such a list often involves not so much "what should be done" as "what should not be done."

Nevertheless, we will summarize our views in the following comments:

a) In the area of budget policy, it is obvious that as a stimulator of demand, government investment must play a decisive role and, in particular, through specific programs of action, perform its mission of pulling along and encouraging private investment, which is always more effective and productive.

This fact and the compulsory consideration of other unavoidable budget items (unemployment, social security, transfer payments) lead us to assert categorically that we will continue to see large budget deficits and that it is of no use to continue criticizing the present administration for this without offering constructive solutions. Now then, the new administration should first of all see to it that the deficit is compatible with greater productivity in the public sector as a whole and, in particular, with a major curtailment of strictly consumption expenditures; that it also takes steps to blunt the causes of the deficit's size in the near future (a policy that clearly promotes private investment is absolutely fundamental in this regard) and, finally, that the deficit is financed in a way that squeezes credit for the private sector as little as possible.

b) With regard to jobs, let us recall once again that the only reliable and effective way to combat unemployment is to create an environment in which profitable, competitive, dynamic businesses have sufficient motivation to expand. In this regard, an unimpeded and not excessively rigid overhaul of our industrial structure, in response to the need for ongoing technological adaptation, must be accorded top priority.

c) With respect to foreign trade, there are several moves that we would suggest. First of all, the government should obviously pursue a policy of ongoing export promotion. Secondly, it should keep a close watch on our capital balance, which will surely mean maintaining a certain level of foreign indebtedness and attracting overseas investment. But

what this obviously entails is once again safeguarding our competitiveness and the stability of our currency, thus preventing a climate of ongoing currency speculation from developing and putting these goals out of reach.

We must thus not let down our guard in the fight against inflation and attempt in every way to eliminate the gap of almost five percent between our inflation rate and the rate in the rest of the industrialized world, a gap that clearly foreshadows coming devaluations.

d) The much-needed stimulus for private investment: If all of the above goals are accomplished, the climate will be conducive to an upturn in private investment. Now then, such investments must be readily financed, and, therefore, the private savings on which such financing rests must be suitably promoted. This prompts the following comments:

--The government must try hard to make medium- and long-term credit available to the private sector. In this regard, the debate concerning the amount of and compensation for the blocked funds in private banks could, in our judgment, be resolved through a reasonable compromise under which certain term loans can be made available to our businesses instead of other, lower-interest loans that are, hence, less attractive to the banks.

--In establishing the regulations that eventually govern interest rates in our financial system, the government must keep in mind that rates should not be set so high that they clearly discourage investment and in themselves rekindle inflationary pressures but that they should not drop so low either that they jeopardize the stability of our capital balance.

--In conclusion, venture capital is, of course, a basic pillar of investment. In this regard, any new securities that companies issue should not carry interest rates so high that they adversely affect their financial status. This, in turn, requires a general upswing in our stock market indicators, and from this standpoint the measure that the government adopted recently when it postponed issuance of the General State Budgets is somewhat contradictory, because it abolished the tax exemption for bearer securities with a fixed term.

These are the most important steps that our country can take in its effort to overcome the lengthy crisis that has been besetting it. At least this is how I see it from my businessman's perspective.

The situation is certainly quite complex, and the movement of any one piece will influence the others. There are two reasons for prudent optimism: the unquestionable priority attention that the new administration has been devoting to economic issues, and its broad-based popular and congressional support in the performance of its mission.

## FELDT DISCUSSES CRISIS PROGRAM, DEVALUATION, EXPORTS

Stockholm SVENSKA DAGBLADET in Swedish 11 Dec 82 p 3

[Article by Kjell-Olof Feldt, Finance Minister of Sweden]

[Text] In a previous article on this page, Prof Johan Lybeck condemned the government's economic policy for "leading us deeper into the crisis."

Lybeck also claimed that the Social Democratic government had turned its back on the emergency program approved by the labor movement when it was in the opposition. "The most important point of the emergency program," Lybeck claimed, "was that domestic demand was to remain high."

According to Lybeck, the devaluation and the increase in sales tax, as parts of an austerity campaign, put an end to this. Lybeck is extremely disappointed, since he previously supported the Social Democratic emergency program.

## Shift In Demand

Unfortunately, I must point out that Lybeck's defense is based on a misunderstanding of our emergency program. Its main point is not at all that domestic demand must be maintained. On the contrary, the emergency program emphasizes that a general stimulation of domestic demand today would cause a serious increase in our deficit.

The program continues: "Our plan for economic recovery must take another direction. Increased demand must come primarily from two sources: on the one hand, from abroad and from shifting our own demand from imports to Swedish products and, on the other hand, from investments that increase our production capabilities and our competitiveness."

Thus, the emergency program makes the distinction between domestic consumption (of Swedish and imported goods) on the one hand, and (domestic and foreign) consumption of Swedish goods, on the other. According to the program, it is the latter that shall be stimulated and not the former.

This is the policy we are conducting today. By the devaluation and other measures, we are attempting to cause a major shift in demand, both at home and abroad, from foreign to Swedish products.



This is not an austerity campaign, but a policy designed to stimulate production, employment, and investments. It also is being followed up with a massive labor-market program and extensive investments.

According to the strategy of the emergency program, however, private consumption must be held down for a time in order to increase investments and reduce the deficit in the trade balance.

It is this aspect of our policy that Lybeck attacked. Since it takes time for the stimulative effect of the devaluation to be felt, it is "economic madness," for example, to restrain consumption by increasing taxes. It is not necessary to finance income tax reductions or the social programs we promised during the campaign in this way.

#### Foreign Loans Of 26 Billion

Of course, it is possible to advocate such policies if you believe the budget deficit can increase by 7 or 8 billion and if you believe that Sweden can stand an additional 3 to 4 billion in foreign loans over and above the 26 billion we probably must borrow next year.

But that this is a good way to secure employment, either in the long or the short run, is hardly convincing. Far more effective efforts to maintain high employment levels can be made by an even more active labor-market policy and by increased investments--measures that have far less effect on foreign loans. Then if we believe there is reason to stimulate consumption, the most positive effect on employment levels can be achieved by increasing the consumption of public services.

#### Vicious Speculative Attack

I believe in any case that the policies advocated by Lybeck would cause us to miss the target set up by the Social Democratic emergency program--to reduce the deficits in the trade balance and in the budget and to increase employment by strengthened competitiveness and expanded production capacity in industry.

Lybeck advocates policies with these consequences because he not only dislikes our devaluation, but he also believes it is doomed to failure, in any event. And since it is doomed, it would do no harm to help fate out a bit.

The reason why Lybeck dislikes the devaluation is that it "shifts the economic burden to our neighbor countries."

First of all, I must remind him that the Social Democratic government took over in a situation in which the Swedish krona, after a long period of increasing weakness, was subjected to a vicious speculative attack. Even if we had had the same moral misgivings against devaluations as Lybeck, we had no choice--other than a harsh austerity program, which probably would have destroyed the strategy of the emergency program.

## Sweden's Business

But the moral argument does not hold water, either.

Sweden has a serious structural trade-balance deficit. Other countries--and international organizations--long have agreed that we must reduce this deficit. Whether we accomplish this by restraining our domestic cost increases or by a devaluation is our business.

In either case, the net result for other countries is that we will increase our exports and reduce our imports, thereby shifting our deficit to other countries. The difference between the two alternatives arises in Sweden itself and is made manifest in a different "blend" of unemployment and inflation. Thus, Lybeck is wrong when he says that it is devaluations that "shift the problem" to other countries: in actuality, any other measure designed to reduce the trade-balance deficit--if successful--would shift the deficit to other countries.

If we are to moralize about this issue, we should speak instead about the forces that allowed Sweden's share of world trade to drop by one fourth and permitted our deficit to become one of the largest in the industrialized section of the world.

## Are There Laws About Devaluations?

But Lybeck has another argument against the devaluation. There are, he claims, "economic laws that are independent of the type of government in power. One such law is that a devaluation consumes itself within a period of about 5 years."

But do such "laws" really exist? Why, then, did Sweden's devaluations succeed in 1931 and 1949? As far as I know, the "laws" exist--in the form of assumptions and postulates--only in Lybeck's econometric model. This does not mean, however, that reality must necessarily behave in this manner.

According to all indications, Lybeck's conclusions are based on the assumption of certain compensatory mechanisms in the economy, which he has included in his model. But the economic policy conducted by the government, however, includes several measures designed to eliminate the effects of these compensatory mechanisms. These measures include the special profits tax related to stock dividends, which Lybeck opposes.

Of course, we may disagree on whether or not this will be successful, but then we must discuss the matter seriously and not simply claim that it is a "law" that compensatory mechanisms always destroy the positive effects of devaluations.

## Most Important Objection

In addition, Lybeck ignores the most important objection to his line of reasoning--an objection that has been made by Lybeck's own pupil and coworker, Svante Johansson (his article appeared on this page on 10 November 1981)--namely

that even if it were true that compensatory mechanisms, after several years, caused export prices to return to their initial level, the relative price improvement achieved in the meantime still has had a real effect on production, employment, and investments.

The competitive sector is strengthened, production equipment is increased and modernized--and this can have lasting positive effects on the trade balance, even if price conditions (terms of trade) should return to the original level. Of course, this is in addition to the temporary positive effects that arise in the meantime, which Lybeck totally ignores.

#### Cohesive Plan

I am the last to deny that Sweden's economic future is fraught with danger and that we are far from overcoming the crisis, but our problems were not caused by the economic policy begun with the devaluation on 9 October. Instead, they have their roots in the global economic crisis and in many years of weakness and defeat suffered by Swedish industry.

Now, however, a cohesive plan is being conducted to lead Sweden out of the crisis. Predicting failure at this time could have fatal results for the person who would be a profit in his own country.

9336

CSO: 3650/84

## INDUSTRY COUNCIL SEES ONLY WEAK STIMULUS FROM DEVALUATION

Stockholm SVENSKA DAGBLADET in Swedish 21 Dec 82 p 21

[Article by Kjell Brodda]

[Text] A slight economic upswing is possible during the second half of 1983 and there is a chance of success. Success will not come easily, however, primarily due to a lack of confidence--on the part of both Swedish industry and our competitors abroad.

This may be concluded from the Industry Association of Sweden's fall report, which contains predictions for the Swedish economy next year.

The Industry Association warns that the devaluation will provide only moderate success in 1983. This is because of the international economic slump and weak demand for input goods and capital-investment goods. It also is true, however, because our competitors will adjust their prices downward in order not to lose shares of the market.

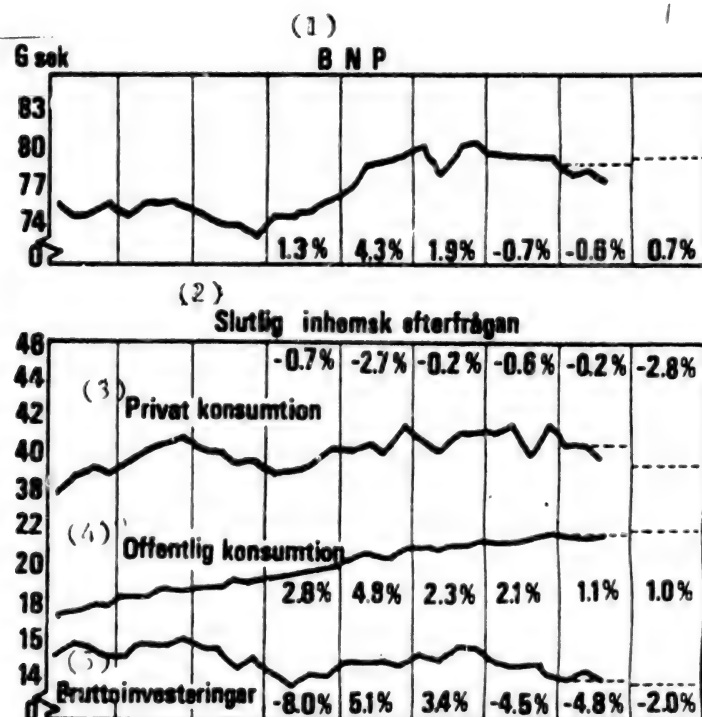
The effects of the devaluation are believed to be temporary, since traditionally, within several years, Sweden consumes the entire advantage gained by the devaluation. The association does not believe we can break the cost spiral.

#### Lower Wages

In this situation, low wage increases in 1983 will help little. In order to make our competitors really worry, we need a 3-year contract without automatic increases to keep up with inflation and with reduced, rather than increased, payroll taxes.

In Swedish industry, the crisis in confidence means further reductions in investments. "Why invest in something that will be unprofitable in 2 years," the reasoning goes. In addition, the low utilization of capacity also reduces the need for investments.

According to the Industry Association predictions, industrial investments will drop by an addition 8 to 9 percent in 1983. This evaluation agrees with that of the Institute of Economic research, but is somewhat worse than the 5 percent



Gross national product and domestic demand, based on seasonally adjusted quarterly data in 1975 prices. Sources: OECD, Industrial Association.

Key to figure:

- 1 GNP
- 2 Final domestic consumption
- 3 Private consumption
- 4 Public consumption
- 5 Gross Investments

predicted by the Economy Ministry and SNS (Study Association for Economy and Society).

As usual, the Industry Association makes a comparison with West German industry. Swedish exports compete primarily with West German products and, in this area, Industry Association predictor Ola Virin sees some bright spots.

#### Some Improvement

To be sure, Swedish costs will rise 6 to 7 percent more than West German costs during 1983, but if the dollar is depreciated with respect to the D-Mark, as certain signs already indicate, Sweden should be able to maintain its cost advantage in 1983 and, probably, in 1984. This is due to the system of 15 currencies to which the Swedish krona is tied.

The Industry Association believes that private consumption will drop by 2.8 percent, the largest decrease since World War II. Reduced private consumption was predicted in 1982, as well, and not just by the Industry Association. Actually, however, there seems to have been a slight increase. This did not result from increased real wages, but from a drastic decrease in the savings ratio. Instead of purchasing single-family houses, we have used the money to buy video games, automobiles, and other durable goods. Purchases were accelerated by expected price and sales tax increases in 1983.

Now, however, Ola Virin believes that the bottom has been reached and private consumption must decrease next year. It would not be surprising, however, if we had the same results in 1983 as in 1982. Predictions concerning the savings ratio are always uncertain.

#### Bleak Prediction

The unemployment prediction also is bleak. Beginning at a level that already is high, unemployment will increase during the spring and remain at the higher level for the rest of the year. The average unemployment rate will be 3.8 percent. If all other factors remain unchanged, the figure will increase to 4.5 percent, but the Industry Association believes that various labor-market measures will be taken. By way of comparison, it may be mentioned that industrial production must increase by 7 to 8 percent before any new jobs at all are created, due to the low utilization of industrial capacity.

It will not be easy. While trying to restore confidence in Sweden at home and abroad, things will become worse and worse for us. The reward for our efforts will come only after several years. Maybe.

## INDUSTRIAL COUNCIL OFFICIAL DEFENDS DEVALUATION MOVE

Stockholm SVENSKA DAGBLADET in Swedish 21 Dec 82 p 21

[Article by Helena Stalnert]

[Text] "The devaluation was a necessary prerequisite to recovery." This was stated by the Industry Association's executive vice-president Lars Nabseth in his comments on the association's report on the economy.

"Another prerequisite, however, is that Swedish companies must be given clear signals that they will receive political support in their struggle to regain shares of the market, so that they will dare to make full use of the cost advantages resulting from the devaluation."

One such signal Lars Nabseth would like to see from the government is abandonment of the planned 2-percent increase in payroll taxes at the beginning of the year.

"The increased payroll taxes during the seventies were not considered during wage negotiations. This is how costs got to be too high. This was a mistake we now are attempting to correct," Lars Nabseth said.

He also wanted the government to refrain from increasing property taxes and energy taxes. Another signal he would like to see given to industry is a decrease in interest rates.

Lars Nabseth warned that if Swedish costs continue to rise during 1984, the entire devaluation would be consumed.

9336

CSO: 3650/84



## INDUSTRY CONTINUES QUALIFIED SUPPORT FOR ECONOMIC PROGRAM

Istanbul TERCUMAN in Turkish 21 Jan 83 p 5

[Text] Industrialists stated that they supported the January 24 resolutions on the whole but that there were serious shortcomings in the financial authorities' implementation of the Stabilization Program.

In the Wednesday Board Meeting of the ISO [Istanbul Chamber of Industry] industrialists assessed the 3 years since the resolutions of January 24 to the present day. Well known industrialists, who expounded their views, pointed out that the resolutions of January 24 were beginning to bear fruit, that inflation was receding at a marked pace, that exports had jumped enviably and that the balance of payments was improving. But they charged that serious errors in management were made by banks and brokers, in interest rates and finance; that bankers, to bandage their wounds, allowed funds withheld by the State from export to be shifted to insolvent brokers and reckless banks. It was also pointed out that with new investments, employment questions were left hanging.

The speeches of the industrialists who spoke at the ISO meeting were in sum as follows:

Improvements Should have Been Made Before Imports

SAKIP SABANCI - Sabanci said that they were all responsible for making Turkey both more beautiful and uglier and that they must cooperate; also, in connection with measures in the 1983 import regimen which opened industry to competition, he spoke as follows:

"Freeing the market has paved the way to the free import of some goods such as batteries and accumulators. These goods as well as a variety of others are being manufactured at home. Some earn their daily bread from them; first, they should be improved, corrected, their shortcomings eliminated and then step by step we must open up to imports."

Too Soon To Congratulate Ourselves

HALIT NARIN - Halit Narin dwelt on new investments and bureaucracy and in sum spoke as follows:

"It is a delusion to expect economic investments in 1983. Existing industries

are struggling for survival. As for the expectation of solving unemployment through new investments in an environment where existing investments are not working at full capacity, it is an illusion. Furthermore, bureaucracy in Ankara is such that it is fighting to hold back incentives in the belief that exports are being excessively encouraged. Under the circumstances industrialists cannot be expected to make new investments. Until Turkish industry reaches a \$15 billion export level let no one congratulate themselves."

#### Castelli Fund in Imports

CEZMI OZTEMIR - Cezmi Oztemir representing the leather industry, for his part, said they could not fathom the 150 Turkish lira cut per kilogram in the sodium bichromate import fund, the chemical raw material of the leather industry. If the free market is being defended, when competitors from the West secure chemicals for 150 Turkish liras per kilogram after duties and various taxes, we cannot defend the fact that Turkish manufacturers have to pay 450 Turkish liras for them. When Oztemir said that, in imports, the "Castelli fund" is being paid laughter broke out.

#### Employment Is One Thing, Investment Another

Nurullah Gezgin - Chairman of the ISO Board of Directors Nurullah Gezgin after saying in his talk that January 24 was successful on the whole but that serious errors were being made in financial management, dwelt on the following points:

"Reckless bankers and brokers have caused the shortage in expected import credits. We have serious doubts about the confusion in taxation management and the vagueness of the laws and resolutions that are being passed; about reassessment being left for 1983 and the formulation of retroactive resolutions while the efforts made to this day to support banks only strangle our hopes for tomorrow.

The shift to freedom and competition in the import regimen is a must for the system. It is a transition to the free market. And this means that the State should not interfere with prices. If we accept the philosophy of January 24, we must look favourably on market freedom. It is said that, because he manufactures tin boxes Nurullah Gezgin does not favor a free market. When someone in Turkey is the sole manufacturer of a product and offers this same product through his own sales company how can any of this be defended? Somebody else will also come on the battery [market]. And neither should battery manufacturers be prisoners of the Kayseri Cinkur lead, they too should be able, if they wish, to import their raw materials from abroad."

Gezgin also touched on the question of employment and said that tying the solution of extensive unemployment in Turkey to investments was inadmissible. He claimed that unemployment and investment were two different things.

12278

CSO: 3554/125

## ORGANIZED INDUSTRIAL ZONES TARGETED FOR 1986

Istanbul DUNYA in Turkish 22 Jan 83 p 4

[Text] It has been announced that the completion of 22 Organized Industrial Zones is targeted for 1986.

An article which appeared in "Views", the monthly periodical of the Turkish Industrialists and Businessmen's Association, states that the implementation of Organized Industrial Zones intended to concentrate industries that are randomly scattered within the framework of a settlement plan is being carried out and that, together with zones targeted for completion in the first stage, a resolution was passed to establish Organized Industrial Zones in 39 more provinces.

The following comments were also included in the periodical:

Organized Industrial Zones have been implemented in our country as a means of distributing industry better in underdeveloped areas and encouraging randomly scattered enterprises to concentrate within the framework of an organized settlement plan.

As a result of the implementation of Organized Industrial Zones which were started in 1961 in the Bursa province, according to 1981 data 5 Organized Industrial Zones were completed in 20 years. In 1981 there were 22 Organized Industrial Zones under construction. While the completion of the foregoing zones is targeted for 1986, the completion of the Bilecik, Inegol and Gaziantep Organized Industrial Zones has been planned as a part of the first stage.

Furthermore, the necessary resolution has been passed to establish Organized Industrial Zones in 39 provinces. Thus the installation of 66 Organized Industrial Zones will be completed in the first stage in our country.

While the general purpose is to establish an Organized Industrial Zone in every province, a resolution has been voted to establish more than one zone in some provinces. The following localities: Bitlis, Hakkari, Bingol, Tunceli, Adivaman and Siirt made no attempt or request to establish an Organized Industrial Zone.

For units the building of which has been completed and which are now operational infrastructures the implementation resulted in 283 job sites on a 320 hectare area. Thus, for 6 provinces only, when construction of the Organized Industrial Zones which is under way is finished, industrialists will be handed a completed infrastructure with 4489 job sites on a 7410 hectare area.

397.9 million Turkish liras, according to current prices, were invested in the operational Organized Industrial Zones. The cost of the 22 Organized Industrial Zones under construction, according to 1981 prices, amounts to 17,598 million Turkish liras. The cost of an infrastructure investment, per job site, varies from one organized zone to another. The investment needed per job site in 1981 was the lowest in Erzerum with 1.34 million Turkish liras and the highest in the Ankara Organized Industrial Zone with 10.17 million Turkish liras.

The fund set aside from the general budget for Organized Industrial Zones since 1965 (according to 1981 prices) reached 21.4 billion Turkish liras. The amount of credit used out of the fund for the establishment of Organized Industrial Zones is equivalent to 13.3 billion Turkish liras.

See Table on Following Page

# OUR ORGANIZED INDUSTRIAL ZONES

Number of Organized Industrial Zones	Total Area Hectares	Number of Job sites	Amount of Investment Required per Installation (Million T.L.)
-----			
Completed Sites			
Bursa	80	62	(AID Fund)
Eskisehir	60		391.2 (1)
Manisa	40	36	0.78 (2)
Erzurum	100	70	0.40 (2)
Konya	40	76	1.34
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Total I	320	283	
-----			
Under Construction			
Adana	1000	350	3.63
Ankara	400	270	10.17
Bilecik	150	120	5.52
Inegol	300	156	3.64
Bolu	150	100	3.28
Corum	200	170	4.11
Eskisehir (Expansion)	190	150	5.66
Gaziantep	270	213	1.48
Kars	200	200	2.45
Kayseri	700	345	2.78
Malatya	300	150	4.00
Cerkezkoy	440	190	4.33
Konya II	300	225	3.99
Mardin	300	210	3.41
Nevsehir	400	200	2.09
Tokat	200	200	2.34
Sakarya	150	150	3.20
Izmir (Cigli)	600	350	6.05
Afyon	400	200	2.80
Cankiri	110	150	4.20
Erzincan	250	140	5.00
Antalya	400	250	3.01
-----			
Total II	7410	4489	-
-----			
Grand Total	7730	4772	

(1) According to 1966 prices

(2) According to 1976 prices

## CP ORGAN REPORTS ON ITS LIBEL CONVICTION FOR 'CIA' CHARGES

Copenhagen LAND OG FOLK in Danish 22 Dec 82 p 5

[Text] Ostre District Court has upheld the conviction of LAND OG FOLK for libel against journalist Jens Thomsen of BERLINGSKE TIDENDE. On 17 and 18 October 1981 the journalist was named as a "CIA contact" in articles appearing in LAND OG FOLK. This assertion was found to be unwarranted first in Copenhagen Municipal Court and later in Ostre District Court.

## We Wrote

The LAND OG FOLK article appeared after Jens Thomsen, in an article in BERLINGSKE TIDENDE, had violently attacked Danish Communist Youth (DKU) and the peace movement in Denmark. Among other things, Jens Thomsen wrote:

"The Soviet intelligence agency, KGB, directly influences and finances the Western European peace movement through financial contributions by contacts of Soviet agents."

This is merely a sample of the article, which was an attempt to discredit the Danish peace movement.

DKU responded to the attack in an open letter, major excerpts of which were published by LAND OG FOLK. The letter stated, among other things, that it was "interesting that one of the journalists who has been leading the recent rabid attacks on DKU and the peace movement is Jens Thomsen of BERLINGSKE TIDENDE."

The letter continued, "The journal CIA Insider names Jens Thomsen as one of the CIA's Danish contacts."

This is why LAND OG FOLK entitled the article: "BERLINGSKE Campaign Against DKU Led By CIA Contact."

## Convicted

Jens Thomsen saw this as defamatory and brought suit against LAND OG FOLK. He demanded compensation of up to 50,000 kroner. He also demanded that the publisher

of LAND OG FOLK be punished and that the designation CIA contact be declared unfounded.

Copenhagen Municipal Court concluded:

"It is not disputed that the designation 'CIA contact' in the LAND OG FOLK headline is intended to describe the plaintiff."

"This designation is defamatory, especially to a journalist. No proof has been presented and the charges apply solely to the defendant (LAND OG FOLK, ed.), since the designation in the headline of the plaintiff (Jens Thomsen, ed.) as a CIA contact is not justified by CIA Insider. The designation by the defendant also is of a different nature than the account of CIA Insider presented in SOCIALISTISK DAGBLAD. Thus, the defendant cannot claim impunity on the justification that his statement is an account of another publication."

"It has not been demonstrated that the charges were brought in bad faith."

The Copenhagen Municipal Court then passed the following sentence:

The defendant Gunnar Kanstrup was sentenced to pay a fine assessed on the basis of 10 days' income of 150 kroner each. Imprisonment for 10 days would be the punishment for nonpayment.

LAND OG FOLK would pay Jens Thomsen 800 kroner plus interest in addition to 1,000 kroner in court costs.

The designation of Jens Thomsen as a "CIA contact" was unfounded,

The verdict would be reported in LAND OG FOLK.

Appeal

Jens Thomsen was not satisfied and appealed to the Ostre District Court.

The district court concurred with the verdict of the municipal court and found the punishment suitable to LAND OG FOLK's offence.

Further, the Ostre District Court stated:

"It was agreed that the plaintiff (Jens Thomsen, ed.) should be compensated for injury to his reputation. Although the district court agrees with the municipal court's remarks concerning compensation, it is believed that the compensation should be increased to 5,000 kroner."

Thus, Ostre District Court pronounced the following sentence:

"The district court concurs with Copenhagen Municipal Court's sentence of 21 September 1982 in the case involving journalist Jens Thomsen and publisher



Gunnar Kanstrup, except that the compensation of 800 kroner is increased to 5,000 kroner in addition to interest on this sum from 22 February 1982.

The defendant, publisher Gunnar Kanstrup, is required to pay court costs for the district court totalling 1,500 kroner to the plaintiff, journalist Jens Thomsen."

9336

CS0: 3613/43

## MEASURE OF SPD/GREENS COOPERATION IN HESSE DISCUSSED

Zurich NEUE ZUERCHER ZEITUNG in German 28 Jan 83 p 3

[Report by correspondent "R. M.": "Partial Cooperation Between Greens and SPD in Hesse--Parliamentary Support for the Boerner Government--In Line With the Hamburg Pattern?"]

[Text] Bonn, 26 January--If someone had prophesied to Hesse Minister-President Holger Boerner half a year ago that his SPD government in the near future would rely on parliamentary aid by the Greens, he certainly would have indignantly rejected such a possibility. A construction worker by trade and a Social Democrat of the old stamp, Boerner before the Hesse Landtag elections last September had excelled in drawing a particularly clear line between his party and that of the environmentalists and pacifists. Embittered over the massive resistance against his consistent support for the controversial expansion of the Frankfurt major airport, the SPD head of government, in an interview, because of the Greens' partial rejection of the parliamentary system, had gone so far as to place them ideologically close to fascists. Chances are that today Boerner would not like to be reminded of this invective, for in the meantime what he described as absolutely unthinkable just a few months ago has become reality: at least in certain areas the SPD minority government in Hesse relies on the support of the Greens in the parliament.

#### A Standoff

This cooperation on certain issues is taking place against the following political background. Since the Landtag election last September, a standoff has prevailed in Hesse, with no party being in a position to form a majority government. While the CDU is the strongest party, barely ahead of the SPD, it has no coalition partner to assure it of a majority in the parliament now that the FDP has dropped out. The SPD under Boerner's leadership, in turn, for the time being is refusing to enter into a formal alliance with the Greens despite the fact that numerically the two parties would marshal a clear majority. Despite this standoff, the old Boerner government continues in power as the acting administration and can be relieved only through the election of a new majority configuration.

If Boerner wants to govern actively, however, he needs for his projects the kind of parliamentary assent which his party alone cannot secure.

Particularly close to the heart of the head of government is the implementation of his old favorite idea of immediate additional public investments to fight unemployment. Since the CDU is utterly opposed to this plan, the SPD, previous assurances notwithstanding, has begun to elicit the support of the Greens for its plans.

Personally, Boerner instead of such rapprochement would have preferred an early calling of new elections to clarify the situation, but he was unable to prevail with this stand in his party. At least he was spared the embarrassment to sit down now for direct negotiations with the Greens after his massive attacks last fall. It was other SPD people who in six rounds of talks brought about an agreement with the heterogeneous party of ecologists and pacifists about the economic program.

#### Cooperation in Employment Policy

Both the Greens and the SPD explicitly emphasized in the Hesse Landtag on Wednesday [26 January] that the joint support for the employment policy package constituted no decision for a coalition but that it was merely a case of implementing a specific legislative project. And indeed the crucial test for the further relationship between the two parties will not come until the whole budget will have to be passed some months hence. In this connection the Greens are sticking to their basic demand for immediately forgoing the use of nuclear energy. If Boerner were to go in for this, he would have to go back on his previous positions far more strongly than he has done now in his limited cooperation with the Greens.

Quite a few observers, though, rather expect the SPD to decide in the course of this year in favor of premature elections after all. A number of strategists in the SPD camp apparently see the pattern of Hamburg as a model. There the Social Democrats in a similar situation also went in for certain attempts to cooperation with the Green-Alternatives only to regain an absolute majority in premature elections a few months thereafter. Whether things would work out that way as neatly as was the case in Hamburg remains a completely open question, however.

8790

CSO: 3620/193

## POLITICAL SCIENTIST FORESEES FAVORABLE ELECTION FOR SKDL

Helsinki KANSAN UUTiset in Finnish 8 Jan 83 p 56

[Article: "Satisfactory Election Result for SKDL"]

[Text] Turku--The trend of political opinions throughout the whole election campaign, albeit only a slight increase in support registered in recent Gallup polls, is creating a reasonable basis for the SKDL [Finnish People's Democratic League] to expect a satisfactory result in the March elections, states Professor Jaakko Nousiainen of the Political Science Institute of Turku University.

The decision to go into opposition could have a positive effect on the SKDL's election results.

"According to studies a period of 3 months is, however, probably too short to have a real large impact on voters," states Nousiainen.

The party loyalty of people in Finland is at a high level according to the political scientists. And, in general, the closer the elections the less reluctant people are to stray away from their own party, which in their opinion has acted incorrectly in certain political situations.

The emotional fury of the election campaign will not really increase according to Nousiainen.

"The SKDL's opposition posture will probably not bring any essential changes to the content of the campaign. Instead, it will certainly add its own color to a perhaps otherwise same type of election theme," estimates Nousiainen.

The government negotiations after the elections will perhaps be interesting. Paavo Vayrynen's speeches on cooperation between the Center Party and the Conservative Party and among bourgeois forces in general have given an indication of this.

"I do not know what Vayrynen means exactly by his positions, but the idea of dropping the SDP from government responsibility by means of this same path cannot be far away."

In Nousiainen's opinion the reason for the competition between the Social Democrats and the Conservatives can be found in the recent low profile of the SDP: both will draw the longer straw in competing for the souls of white-collar workers and the "immediate gang".

The SKDL's appearance and conduct in the election campaign will not be easy since the party has been approving government policy for a long time.

"This, without a doubt, will have the effect of restraining propaganda," considers Nousiainen.

Nousiainen states that the possible reentry of the SKDL into a new government after the elections will, to a great degree, depend on whether the reason behind the departure from the government was a temporary, tactical move or whether it was a move to sharpen long-term policy.

"If it is a question of the latter phenomenon, government negotiations will become more difficult as far as the SKDL is concerned. However, even this situation will not necessarily exclude the People's Democrats from the government," estimates Professor Jaakko Nousiainen.

10576

CSU: 3617/57

## UUSI SUOMI POLL SHOWS OVER HALF OF SKDL VOTERS WANT SDP TIE

Helsinki HELSINGIN SANOMAT in Finnish 17 Jan 83 p 9

[Article: "SKDL Supporters For Merger With SDP"]

[Text] More than half of the constituency of the SKDL [Finnish People's Democratic League] would be prepared to merge their party with the SDP. However, the Social Democrats are not overly enchanted with the idea of a merger, which became evident from an opinion poll conducted by Taloustutkimus and published on Sunday in the independent newspaper UUSI SUOMI.

According to the poll 57 percent of the SKDL's voters interviewed was ready to merge their party with the SDP. Only 34 percent of those Social Democrats interviewed was interested in the idea of a merger.

The SKDL is the only large party in which the majority of those interviewed would be for the merger of two large parties. In a corresponding poll published in UUSI SUOMI on Saturday both the Conservatives as well as Center Party voters were clearly against the idea of merging parties.

The argument for merging the leftwing parties was primarily the creation of a large and powerful party. This was the justification of 31 percent of those voting for the SKDL and 21 percent of those supporting the SDP. However, the most important reason among the supporters of the SDP was a similar way of thinking between the two parties.

It is not feared that the envisioned merger of the left will bring a preponderance of power to a large leftwing since only 4 percent of those interviewed who represented all parties was concerned about this. Most suspicions were concentrated in the Center Party.

Among Social Democratic supporters 29 percent expressed the opinion in the Taloustutkimus interview that nothing will come of a merger of the left. Among those supporting the SKDL only 17 percent believes that a merger is worthwhile.

The major obstacle to a merger is the different way of thinking in the two parties, thinks 57 percent of SKDL supporters responding to the poll and 45 percent of SDP supporters.

10576

CSO: 3617/57

## PAPER VIEWS COALITION ALTERNATIVES AFTER ELECTION

Helsinki UUSI SUOMI in Finnish 9 Jan 83 p 17

[Article: "Elections Will Determine Finland's Direction"]

[Text] Red earth or a people's front?

The Conservatives in government or not?

What will happen to the small parties?

What will happen to the Communists?

A new distribution of the republic's domestic politics will be accomplished in the March parliamentary elections. This is both desired and feared. The efforts put into it will be the greatest possible. Finland's path until the end of the decade will be determined in the elections, state the parties.

The course of domestic policy will be determined by the government. Will the SKDL [Finnish People's Democratic League] return to the government? Will the Conservative Party's goal to bring an end to its journey in opposition be realized? What will happen to the red earth? The people will give their answer in the elections and the politicians will give their answer in the government negotiations in the spring.

Mauno Koivisto's election as President of the Republic, for its part, pointed out the direction of the 1980's. It was believed that the 1980's will be a golden age for the people's front even though support for the Conservative Party has been on the increase. If the presidential elections were directional elections, then the same can also be said for the parliamentary elections in the spring.

The final week of 1982 brought surprising changes to the political positions. Prime Minister Kalevi Sorsa and the center factions became fed up with the two-faced policy of the Communists and the people's front turned into red earth. Now it can be asked whether red earth will make up the government base of the 1980's.



Social Democratic Party, Conservative Party, and Political Center Almost Tied

The points of departure in the political power play are almost even. The SDP has 52 MP's, the center factions 51, and the Conservative Party 46.

Among these three the election situation will probably be the easiest for the Social Democrats and the most difficult for the center. The center factions will have to make a joint effort to compete with the SDP. The Conservative Party, which is larger than the center, will be more difficult to restrain.

A victory of the Conservative Party and a defeat of the political center could mean that the power axis in Finnish politics could become the SDP and the Conservative Party, if not an actual cooperation, at least a kind of silent understanding.

If the power relationships of these three are not drastically changed, then there will not necessarily be any other changes.

#### Common Goal of SKDL and Conservative Party

The parliamentary elections are without a doubt directional elections and thus at the same time government elections, as the Conservative Party has declared throughout the fall.

SKDL leader Kalevi Kivisto is of the same opinion as Chairman Ilkka Suominen.

Both have the same goal, putting their own party in government and placing the other in opposition.

The entry of the Conservative Party into the government would decisively improve the party's credibility. Government responsibility for the SKDL is probably the best means for preventing the party's disintegration at the side of the SDP. The Conservative Party needs a decent election victory. Otherwise its entry into the government will not succeed. Especially since President Mauno Koivisto has been interpreted as saying that the people's front is a rather agreeable form of government composition.

The inclusion of the Conservative Party in the government is ideologically difficult for the SDP. On the other hand, the party would not dare immediately at the beginning of Koivisto's term to bring into the government the Conservative Party, which has been in opposition for a long time during Urho Kekkonen's presidential term.

The Conservative Party is a problem for the Center Party. Bourgeois cooperation must be discussed, but it is difficult to give up ministerial positions and the power that goes with them.

Will Koivisto Bring a Landslide for the SDP?

The March elections will determine whether the Mitterrand-phenomenon will be repeated in Finland, a landslide victory for the Socialists in the parliamentary elections as the result of a leftwing president.

The SDP is riding Koivisto's horse into the elections.

However, the departure of the Communists from the government drove a wedge into the cooperation between Prime Minister Sorsa and President Koivisto.

Sorsa, who has become the strongman in the republic, stuck to his position and pushed the Communists out of the government. Koivisto lost in the arm twisting.

It remains to be seen what the voters will think about Sorsa's victory and how they will perceive one who has now risen up against the president and soiled his hands in Valco.

As the weeks go by the SDP will most likely attempt to polish its shield so that the party would once again appear to be an insipid and the only pale red ruling party free of any suspicious odors.

The Conservative Party, which is anticipating that the government's express train will stop, is going into the government elections in a now-or-never atmosphere.

The foundations for entering the government have been laid for more than 10 years. Its foreign policy is in order.

Ilkka Suominen's task is to take the Conservative Party into the government. The Conservative Party has also changed with respect to domestic policy. Sometimes the party can be found on the left side of the Center Party accusing it of being a fortress of conservatism.

As it has revised its policies the Conservative Party's opposition policy has become less militant. Now the party "criticizes" the government by stating that the decisions are in the right direction, but are insufficient.

The exclusion of the Conservative Party from the government after the elections may occur primarily only for reasons of power politics, sufficient arguments cannot be found on the basis of political content.

Relations between the Conservative Party and the present ruling parties are like those of a quarreling married couple. The Conservative Party would like to make up and jump in the same bed, but the other half will not give in.

The Center's Locomotive and Vayrynen

The forecast promised a slight election victory for the Center Party, which travelled the path of defeat in 1982.

The fact that the Liberals jumped into the Center Party's lap can be recorded as a victory.

Chairman Paavo Vayrynen, who has stumbled badly, attached his election train to the locomotive of Finance Minister Ahti Pekkala. He is indirectly the Center Party's candidate for prime minister. The situation is becoming complicated for the Center Party and especially for Vayrynen after the elections if Pekkala becomes the prime minister. At that time Vayrynen's prized foreign ministry portfolio will go to someone else.

Vayrynen could, of course, attempt to become prime minister regardless of what the president and Sorsa may think.

The Center Party, which talks about bourgeois cooperation, could have to become responsible for its words after the elections. The situation would be difficult since the party would have to give up approximately half of its present ministerial posts to the Conservative Party. Red earth is unconditionally the best alternative for the Center Party from the point of view of power politics.

#### The Three Faces of the Communists

The opposition party, SKDL/SKI [Finnish People's Democratic League/Finnish Communist Party], is going into the elections in a rather confused atmosphere.

According to Kalevi Kivisto the SKDL is not going into the elections with the weapons of an opposition party. The Taistoites, for their part, are criticizing the government as much as they can. The majority faction led by Veikko Saarto has assumed an opposition posture, but is also supporting the results of center and leftwing government cooperation.

The elections may be fateful for the People's Democrats. Conflict and dissension have taken away their credibility. The Taistoites may become the victors in the internal struggle and the socialist faction the loser in the SKDL if the party suffers a defeat.

If there is a defeat in the elections, anything at all could happen within the SKDL. The extreme possibility is that the Socialists would split from the Communists and attempt to enter the government without the blessing of the SKP.

#### A Moment of Truth for the Small Parties

The small parties, which have been an essential part of Finnish democracy, will be faced with a moment of truth. Only the Swedish People's Party did fairly well in the electoral elections.

The Rural Party, the Christians, and the Liberals, which have had zero or near zero results, are waiting with concern what the future will hold, the grave or a period of continuation.

Much depends on the results of election alliances.

Even the Swedish People's Party must come up with something new in order to guarantee its support. The relative proportion of the Swedish-speaking population is continually declining.

#### UUSI SUOMI Poll: One-Third of Candidates To Be Replaced

Approximately one-third of the MP's will be replaced in the March elections in light of information obtained in an opinion poll.

Among those voters whose candidate won a seat in parliament 7 percent will definitely not vote for the same individual they voted for 4 years ago. Thirteen percent is quite certain that it will not vote for the same candidate. In addition, it is necessary to include the approximately 20 MP's who will not run for reelection.

Those MP's who were elected by the youth vote are in the most precarious position. Voters under the age of 24, namely 34 percent, are certain or rather certain that they will not vote for the same candidate. There is not much more trust in the support of those between the ages of 25 and 35; among them every third (33 percent) voter intends to vote for a different individual than in the previous elections.

SKDL representatives may feel more confident in retaining their positions since only 17 percent of the party's voters intends to vote for a different candidate. The position of Center Party representatives is the most precarious since a full 33 percent of that party's voters has declared that they will not vote for the same candidate as in the previous elections.

In the SDP the corresponding figure is 31 percent and in the Conservative Party 27 percent.

#### Voter Loyalty

Will definitely vote for incumbent.....	23 %
Fairly certain will vote for incumbent.....	39 %
Fairly certain will not vote for incumbent.....	18 %
Will definitely not vote for incumbent.....	10 %
Does not remember for whom he voted.....	4 %
Does not know.....	5 %

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CSO: 3617/57

## DENIED PLACE ON SKDL BALLOT, TENNILA STILL WANTS CP UNITY

Helsinki HELSINGIN SANOMAT in Finnish 30 Jan 83 p 8

[Text] Parliamentary Representative Esko-Juhani Tennila still believes that the Communists are capable of unifying their party. And this despite the fact that the Communist moderate wing kept Tennila from getting on the official SKDL [Finnish People's Democratic League] candidate list in the Lapland district.

On Saturday Representative Tennila returned from a trip to Moscow which the SKDL parliamentary group committee's delegation had made and that is how he just now was able to evaluate what had occurred.

In Tennila's opinion, the situation is by no means hopeless from the standpoint of the SKP [Finnish Communist Party]. "The unification process has gotten off the ground and it means that Parliament is moving toward the Left."

Tennila feels that SKP moderate wing so-called hard liners wanted to drop him from the candidate lists because that moderate wing hard line wants to prevent "the development of unity."

He reminded us that "in the Lapland election they managed to get through a couple of years of strongly developing unity right up to last spring" when the hard line vanquished the Stalinists and the SKP's third line at the Lapland district meeting, very narrowly, to be sure.

Tennila said that he had already heard rumors of coming events weeks ago. They became more concrete when district secretary Paavo Suosalo did not accept his acceptance of the parliamentary candidacy. According to Tennila, Suosalo said that the matter would come up for reconsideration.

Representative Tennila, nevertheless, did not believe that the situation would have progressed to this point because SKDL rules and the law too require that the result of a member vote be respected.

Stalinist organ TIEDONANTAJA sees the figure of first secretary Arvo Aalto behind the scenes. Aalto himself has refuted the charges and Tennila did not want to comment on them.

## "Might Make It"

The end result of the quarrel is that the Communists have three candidate lists in the Lapland district. One is district secretary Paavo Suosalo's list, from which Tennila and official Pertti Periniva have been dropped.

The second is also a so-called moderate wing list, on which youth candidate Hannu Saarela has been replaced by Mirja Nivelä.

The third is also a joint voters' association list, on which Tennila, Periniva and Saarela appear.

Tennila did not want to estimate his own chances on Saturday. Tennila said that the people of Lapland would decide on that, adding that about 13,000 votes would be needed, but his own supporters think he will make it.

During the spring 1979 parliamentary elections Tennila got just about all the Stalinist votes in Lapland. He piled up 10,338 of them, as a result of which he was the vote getter of the province.

The Communist moderate faction got not quite 28,000 votes in the elections. Aside from Tennila, all told the SKDL got Niilo Koskenniemi and Mikko Eskorre in as parliamentary representatives out of the elections.

Now the Stalinists and the moderates are on different lists and, according to election arithmetic, Tennila would get over 3,500 more votes than 4 years ago in a comparable election, and that is a lot in Lapland.

How general support for the SKDL develops in Lapland and how significant the publicity and martyrdom he has now obtained are will go a long way toward resolving Tennila's position as well.

On Saturday Tennila promised that he would not turn his election campaign into a Communist internal wrangle.

## CPSU Sends Delegation

Tennila did not want to speculate on Saturday as to what they think about SKP affairs in Moscow. He suggested that we ask the CPSU delegation which is to arrive in Helsinki next Tuesday and will be headed by Estonian Communist Party first secretary Karl Vaino.

On Saturday the SKP said that the delegation has nothing to do with the course of events. The SKP said that it has to do with a normal exchange of visits.

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## SKDL RECEIVING PARTY FUNDS ILLEGALLY ACCORDING TO REPORT

Helsinki UUSI SUOMI in Finnish 16 Dec 82 p 6

[Article by Olavi Jouslehto: "Further Official Investigations Into Lottery Income of So-called 'Social Clubs': Secret Lottery Income From SKDL Vacation Organizers to the Party"]

[Excerpt] Studies of the accounts of organizations conducting social vacation activity have led investigators to the trail of party support that has been protected from publicity till now.

From studies made by the investigative office of the national treasury, it has become clear that the political vacation organizations in question are collecting obscure funds for party work through their various lotteries.

Now it has appeared in the studies that especially Tyovaen Lomakeskusliitto ry [Workers Vacation Central Union Society] has financed the activities of SKDL district organizations and other organizations close to the Peoples Democrats through use of improper accounting methods.

## Finn-Arpa ry Involved

The system that has supported SKDL activity worked through Finn-Arpa ry [Finnish Lottery Society].

According to the secret report of the study, Tyovaen Lomakeskusliitto ry has organized national lotteries, and Finn-Arpa ry has conducted them every time. The vacation organization has not participated itself either in selling chances or in other practical activities.

## Example Illustrates the Method

As an example, the report mentions one instance in which a total income of 472,730 markkas was reported. The prizes in this merchandise lottery cost more than 152,000 markkas.

Since more than 118,000 markkas was spent for commissions and 86,000 for other expenses, Finn-Arpa ry reported that it had deposited a net profit of 115,913.80 markkas to the account of Tyovaen Lomakeskusliitto ry, to be used in support of its activities. This accounting was approved by the Lottery Center on 19 May 1977.



The report continues: "However, it appears in the books of the Tyovaen Lomakeskusliitto ry, receipt number 192/76 (appendix 9), that they received from Finn-Arpa ry only 8,267.27 markkas, or 1.8 percent of the gross income. Accordingly, the accounting of the lottery given to officials was not truthful."

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CSO: 3617/48

## POLL SHOWS SLIGHTLY INCREASED SUPPORT FOR TREATY WITH USSR

Helsinki HELSINGIN SANOMAT in Finnish 31 Jan 83 p 8

[Text] The effects of the Finnish-Soviet Friendship, Cooperation and Mutual Assistance Pact (YYA) on our international position are judged to be more favorable than ever before in an opinion poll commissioned by the National Defense Report Planning Committee. This time 84 percent of the country's citizens gave the YYA a favorable rating, whereas a year ago 81 percent of them did so and in previous years that figure was under 80 percent.

On the basis of the results of the opinion poll, a uniformly favorable reaction to the YYA has grown among supporters of all four major parties.

The poll also shows that citizens have held just as favorable a view of the handling of our country's foreign policy since the change of presidents as they did before it. For the past couple of years favorable appraisals have been more general than in previous years. According to the latest poll, 93 percent of the respondents felt that foreign policy was being handled well. The percentage of favorable appraisals was the same as in the preceding poll.

The Finnish Gallup Company conducted the National Defense Report Planning Committee poll between November and December of 1982. About 1,000 citizens 15 years of age or older participated in the interviews.

In the 1970's the percentage of favorable appraisals of the handling of foreign policy was generally from 84 to 87 percent, but from 95 to 96 percent of the population gave it a good rating in 1970-1971.

The percentage of citizens who particularly favor the YYA has grown. This time 25 percent of them gave a particularly favorable appraisal of it and 59 percent had a fairly favorable one. Ninety-two percent of SKDL supporters gave a favorable appraisal of the YYA as did 87 percent of Social Democratic Party (SDP) supporters, 87 percent of Center Party supporters and 79 percent of Conservative Party supporters.

## Defense Appropriations

Half the respondents supported retention of defense appropriations at their former level, a third of them an increase and a seventh of them a decrease.

According to the results, SDP supporters appear to be divided in their attitude toward defense appropriations. On the one hand, 19 percent of the party's supporters are ready to increase appropriations but, on the other, 16 percent support a cut in defense funds.

In the Conservative Party there is mainly a readiness to increase them since 60 percent of the party's supporters want an increase. Thirty-five percent of Center Party supporters are of the same opinion as are 19 percent in the SDP and 18 percent in the SKDL. Especially the People's Democrats support a cut since 30 percent of them are of that opinion. Sixteen percent of SDP supporters are for a cut as are 7 percent in both the Conservative and Center Parties.

According to the poll, Finns are very much in favor of defense. More than four-fifths of the respondents, 83 percent, are of the opinion that there are matters in Finland over which the country deserves to be defended, with arms as well.

About 9 percent are of the opinion that there are no cases that should be defended with arms. Seven percent could not answer the question.

Ninety-three percent of the Conservatives are in favor of armed defense as are 88 percent of Center Party supporters, 82 percent of the Social Democrats and 73 percent of the People's Democrats.

Those polled were also asked whether Finns should defend themselves with arms in all situations, "even if the outcome appeared to be uncertain." Two-thirds of the respondents are of the opinion that armed defense would be inevitable in all situations. Every fourth respondent was of a different opinion and not quite a tenth of them could not say.

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## NEWSPAPER VIEWS ELECTION PLATFORM, TACTICS OF SKDL

Helsinki HELSINGIN SANOMAT in Finnish 31 Jan 83 p 12

[Article by Arto Astikainen: "SKDL Waves Finnish Flag and Speaks in Support of Basic Values"]

[Text] Peace, work, the basic values of the labor movement. Gently, humanly, justly, peacefully, sparing nature and man. People's own action, not party promises. Moral firmness. Against the Conservative Party, for the people's front.

This is what the Finnish People's Democratic League (SKDL) and those who are painting its election image, whose job Lapland district Communists have annoyingly made more complicated these past few days, will be offering voters in the March elections.

Like the other parties, the SKDL has accurately sensed the demands of the spirit of the times — gentle values, concern for nature, self-management, conservatism, economic frugality — and wrapped its old, established principles, demands and election proclamations in them.

The joint Communist-socialist organization has not prepared any kind of special election platform this time, so that not too many promises and demands would be put on paper. This is not time for promises; now is the time to speak of sharing frugality.

"We don't want to go shooting our mouths off," SKDL first secretary Jorma Hentila said.

Nor does the SKDL want to wave its streaming red flag very prominently at this time either. The party election poster is brown like the Conservative Party poster and the Finnish flags wave on it more visibly than on the Social Democrats', who as early as a year ago learned to use the magic of the blue and white flag to their advantage.

"The future is a job for people," the SKDL proclaims in yellow letters.

## Kivisto at the Top

Presidential elections of years past loom in the mind of every party and the People's Democrats too intend to snatch from last winter's elections whatever skimpy benefit can be gotten from past elections: the favorable publicity obtained by SKDL chairman Kalevi Kivisto.

With his calm appearance presidential candidate Kivisto managed to charm even middle-class housewives and he is well-suited to be the figurehead for such an election campaign in which peace, ideals, work, security and solidarity are being stressed.

Kivisto will be a permanent fixture on television and radio interviews and programs and, as the SKDL's piledriver in the national elections, he will be touring the country smoothing out the traces of the scuffle among the Communists. Kivisto will not be hauling a house trailer around the country; the creaking Communist Party (SKP) and the SKDL, which is constantly losing its support, have enough of a burden to carry.

Working on the SKDL national election campaign alongside Kivisto are SKP chairman Jouko Kajanoja and first secretary Arvo Aalto as well as SKDL first secretary Jorma Hentila.

Taisto Sinisalo is still heading the Stalinists, although he has given up trying to get himself into Parliament any more. Seppo Toiviainen who it was felt would be the new leader, did not even come close to Sinisalo. He remained on the sidelines and recently wrote up his thoughts on writer Christer Kihlman.

## Striking Issues

The SKDL's goal during the March elections is to get the same number of representatives as 4 years ago, 35, into Parliament. That would almost be an election victory, since opinion polls have shown that support for the SKDL has clearly declined.

First secretary Jorma Hentila is of the opinion that a "carrot-on-a-stick policy" including promises would probably help to achieve the election objective, but the SKDL is, nevertheless, operating on the assumption that the general election issues of peace, work and labor movement principles it has chosen "will strike home in the present situation."

The SKDL is promoting peace by promising its support of the peace movement, "which is composed of many values and many elements," not just of Peace Defenders actions.

Nuclear weapons have been put at the top of the SKDL scale of evils. The SKDL is demanding that Finland condemn nuclear weapons as a crime against society and it is not embarrassed by the fact that the Soviet Union has also procured such criminal products. To be sure, the Soviet Union also supports the condemnation of nuclear weapons.

The SKDL has included a lot in the labor issue, from the reduction of all unemployment to sensible work, leisure time, job security and world control.

**"It is essential that people be** allowed to determine what they do on the job themselves, regulate their working hours, determine their leisure time themselves and that they have the knowledge, ability and means for governing themselves and the world," the SKDL Council stated.

"There are no magic formulas for cutting down on unemployment," first secretary Hentila said. The basic question is one of production that is capable of competing on the market. One way of reducing unemployment is to shorten working hours, but that cannot be used very radically.

"If the number of working hours per week is cut to 30 and machines are run in two shifts, the country will have a labor crisis, but there will be too many goods," Hentila argued.

The SKDL's time-honored medicine for unemployment is an increase in public services: more schools, day care, health care, old people's attendants, substitutes for vacationing farmers, cultural services. This would consume huge amounts of tax money.

"Unemployment is not free either," Hentila replied. "Society pays for unemployment in the form of compensation and subsidies, loss of tax revenue and social expenditures. We ought to remember that the elimination of unemployment will spare these funds."

#### Social Benefits Can Be Cut

According to Hentila, the SKDL's third election issue: the basic values of the labor movement, justice, solidarity and democracy, will be tackled after the elections when the nation's shrinking fund reserves are distributed for different kinds of purposes and they will be fighting over social security cuts.

If there is only little money for appropriations, the first on the list of those to be pruned will be defense appropriations and the last to be pruned will be funds for housing, social security, health care and education. This is how Hentila defined SKDL priorities.

Cutting social security is possible, but only from the top: for example, a ceiling on pensions or a pinching of sick pay benefits in the same way as was done during last fall's budget negotiations. "The SKDL does not approve of interfering with basic security," Hentila said.

The SKDL is ready to procure funds for skimpy appropriations by increasing property taxes and there is also room for stepping up taxes in the higher wage income brackets. Social security payments by business firms cannot be further reduced and the SKDL wants relief for the industrial investment turnover tax to be eliminated. Relief has been increased throughout all of the years the SKDL has been in the government.

The hope that those who are well off will give up their benefits and wage raises for the benefit of those who are less well off and transfer more of their money than before to pay for national expenditures is one of the SKDL's basic ideals.

The SKDL's basic goal, socialism, has lately remained in the background in its public statements. "It is not a matter for the next election period," first secretary Hentila said.

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## NEWSPAPERS COMMENT ON CP LAPLAND DISTRICT DISPUTE

Helsinki HELSINGIN SANOMAT in Finnish 30 Jan 83 p 8

[Excerpts] Consequences Will Be Felt

Many newspapers have observed that the Communists have been forced into drawing up two different lists of candidates in Lapland. The chief organ of the SKP [Finnish Communist Party] and the SKDL [Finnish People's Democratic League], KANSAN UUTISET, is of the opinion the consequences of what has taken place in Lapland will have negative effects everywhere.

"There is, of course, no point in regarding what has happened as just the product of the election campaign. These events are the result of the evolution of disagreements that have been occurring constantly for 20 years now. While the party minority wing has become a faction that violates party decisions in many areas of political activity, quite the same sort of practice now seems to be spreading to the activities of other parts of the party as well. Moreover, there appears to be a certain kind of strong 'provincial patriotic' cast in the decisions of the Lapland organizations. It is made clear that the decisions of the People's Democratic Lapland organizations are not dictated by Helsinki. These traits do not, of course, make the course of action any more legitimate. The negative consequences of these actions will probably be felt throughout the entire country.

"So in this way, in opening the way to a clear shot at the goal, a new negative factor has been introduced into the SKDL election campaign. We must make an energetic effort to see to it that its effect is reduced to a minimum and that we are able to as much as possible use certain other factors that favorable affect the SKDL to our advantage.

"Through its provocative action, TIEDONANTAJA has added its own shoddy contribution to the events of the past few days. It attempted to shove the blame for what happened in the Lapland election district on SKP first secretary Arvo Aalto in particular, even though it is well known that Aalto has expended every effort to see to it that the central organization line is implemented throughout the entire country.

"TIEDONANTAJA's action was extremely cheap and will also influence the solution of those problems that are coming to a head before all the others."

Strong Aalto

The Conservative Party Tampere organ, AAMULEHTI, has taken note of first secretary Arvo Aalto's "active grip" [on the situation] and SKP chairman Jouko Kajanoja's "absolute invisibility and also his failure to have an effect on the matter" in the Communist test of strength.

"The course of action engaged in in the Lapland district is alleged to have been integration of the SKP as a hard line organization. It will be interesting to see what subsequent effects it will have on a test of strength within the party during the elections as well as in organizational operations after them."

#### SKP Is Becoming a Small Party

The independent TURUN SANOMAT thinks that the Communist squabble means that the SKP is becoming a small party. In the opinion of that newspaper, the SKP can become integrated only through dissolution.

"According to SKDL chairman Kalevi Kivisto, the SKP had a chance to integrate itself last summer. It came and went. Ahead of it is now a deepening of the rift. Furthermore, the dispute reflects negatively on the results of the party elections, which will in part continue to increase internal pressures.

"If the situation is examined from the standpoint of the whole party constituency, the SKP's Lapland dispute will probably be a powerful impetus in the process of the SKP's being reduced to a small party and the SDP [Social Democratic Party] will grow as the absolute power party of the Left."

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CSO: 3617/63

## MAX JAKOBSON VIEWS POST-BREZHNEV USSR SIGNALS TO FINLAND

Stockholm SVENSKA DAGBLADET in Swedish 17 Jan 83 p 2

[Editorial by Max Jakobson: "Andropov's More Flexible Policy"]

[Excerpts] A number of signals which have come lately from Moscow point toward a change--not in the contents of Soviet policy, but rather concerning the style and methods of the leadership.

Concerning the Nordic countries, the recent visit of Soviet Prime Minister Tichonov to Finland contained one simple message: no change. The Soviet guest emphasized continuity at every opportunity. There was not the slightest suggestion of Soviet reservations concerning Finland's new president Mauno Koivisto. Finnish-Soviet relations have finally been depersonalized.

Tichonov clearly avoided taking up political questions which could be embarrassing to the Finns. His dominant interest was in economic relations. Trade with Finland is in itself important for the Soviet Union. In spite of everything, Finland is the Soviet Union's second largest trade partner in Western Europe. But it also has a wider importance which Tichonov emphasized time after time, namely as a model for how beneficial trade with the Soviet Union could also be for other capitalist countries.

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CSO: 3650/109

## PARTY PROGRAM INDICATES SOCIALIST-LEFT BEREFT OF NEW IDEAS

Oslo AFTENPOSTEN in Norwegian 29 Jan 83 p 3

[Article by Per Danielsen]

[Text] Once again, dogma has been elevated to a position of honor and esteem by the Socialist-Left Party. The spring solution that followed in the wake of the debate on "Norwegian socialism" is over--and "winter" has returned with frozen solutions and antiquated ideological thinking. SV [Socialist-Left Party] is back on the same old track. At least the smell of the "old socialism" was unmistakable when departing SV leader Berge Furre presented his executive committee's draft for a working program for the 1980's earlier this week.

SV's new working program has been chemically cleansed of all the new ideas that have been presented by SV leaders in the last few years. What has become of the desires for a less bureaucratic society, the demands for less influence for politicians and bureaucrats, the demand for a liberalization of broadcasting policy and lower taxes for less desirable jobs? Should we simply regard it as a play to the gallery when party secretary Erik Solheim and others present ideas of this kind? There has already been talk of a shift of attitudes in SV. But now the decisions have been made and that is what we must look at, after all, when we try to determine whether there has really been any change of course in SV.

Although Berge Furre and other SV leaders have done their best all last week to act as if SV has "adapted itself" and formed a "new" policy, the substance of the working program points in only one direction. It calls for stronger state power, increased state subsidies and a further expansion of the public sector. There are demands for higher taxes on income, housing and assets along with demands for nationalization, "self-sufficiency" and increased "power for the workers." In other words, the "traditional" SV answers to the urgent current economic and other problems are back in place.

The debate on "Norwegian socialism" at the beginning of the 1980's was greeted with great anticipation in SV circles. Because of the lack of bias and the willingness to consider new ideas, the debate aroused interest far beyond SV's own "sphere of influence." The ideas of "SV ideologist" Rune

Slagstad attracted special interest. For instance, in April 1980 at the NY TID conference on Norwegian socialism, he advocated the establishment of a society with a minimum state. He maintained that those who just want to "stand on yesterday's slogans" in the present situation were the "victims of colossal self-deception." Slagstad summed up his own views in this way: "The state I advocate is a minimum state. In contrast to the all-powerful East European state which makes all the important decisions, the minimum state makes few decisions. In contrast to today's Social Democratic state which regulates all the details and makes many but often less important decisions, the minimum state will make fewer but more important decisions."

How do these ideas fit in with the new working program draft? Explaining that will be SV's major problem in the future. Others can be content to follow the course of developments and note what happens as "neoliberal" or "dogmatic" ideas gradually gain the upper hand. But the proposed solutions in the working program still seem to be based on the establishment of an "ideal society"--on conditions that to date no one has been able to achieve in any society anywhere on the face of the earth. In that sense, the incoming SV leader, Theo Koritzinsky, was right when he told AFTENPOSTEN that there is a line running from the Utopian socialists through Rosa Luxemburg to Slagstad. There is a strong Utopian streak in SV today.

Will the new SV leadership be able to inaugurate a new "spring solution" or has outgoing SV leader Berge Furre "frozen" the party's course for the foreseeable future? Obviously it is too early to say anything definite on that score--for example, study groups are still working internally within the party. But the "signals" Theo Koritzinsky has sent out in AFTENPOSTEN and elsewhere seem to suggest that the "old socialism" has by no means lost its grip in this quarter either. "We must adhere to our own way of thinking," Theo Koritzinsky told AFTENPOSTEN last Saturday. But the question is to what extent SV will insist on maintaining these ideas in the future.

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CSO: 3639/61

## PS PROCLAIMS READINESS FOR ELECTIONS, GOVERNING

Lisbon DIARIO DE NOTICIAS in Portuguese 9 Jan 83 p 3

[Excerpts] "The PS [Socialist Party] is ready to fight the elections next Sunday, in 90 days or in 9 months," said socialist leader Jaime Gama yesterday just before the beginning of his party's National Committee meeting. Gama added that the socialists are ready to govern and they consider early elections to be "irreversible" for 1983. He added that the idea being "hatched" of a Vitor Crespo government is nothing more than a political anecdote.

The PS's 197 member national committee began its deliberations at approximately 11 o'clock, after the political committee had met.

Jaime Gama affirms that his party "is ready to govern" using the already mentioned "socialist plan" that has been prepared. Meanwhile, this plan of action will be the subject of profound debate involving socialist militants and people from "converging areas".

Asked about the possibility of a PS-PSD [Social Democratic Party] alliance, the socialist leader merely said: "The PSD is part of the AD [Democratic Alliance], the AD prime minister is a member of the PSD. There have been no changes, the PSD continues to be a party in power and the PS continues to be the largest opposition party."

Jaime Gama affirmed that the Socialist Party's internal situation is "absolutely calm."

"The PS is on the way up as a political force. There is a great sense of unity within it and it displays a lot of endeavor."

He noted in this regard that the different committees, which were to have been elected yesterday, would translate "this solid endeavor into a stable functioning of the party."

As far as Jaime Gama is concerned, the PS "is not a monolithic party" because it "has lively internal debate." He even considered that such debate should be even livelier.

He said, "The methodology of political debate must be renewed: It should concern itself with the great national questions and not with the little political anecdote."

The socialist leader said that the Democratic Alliance was formed "against a certain type of state" and, finally, revealed itself incapable of accepting the government's responsibility in freedom."

"The AD was afraid to take on responsibility. It walsy demanded full deomcracy and, in the end, on the day the revised constitution consecrated full democracy, it desintegrated," said Jaime Gama.

9935

CSO: 3542/5



## TACTICS, GOALS OF CDS LEADER FREITAS DO AMARAL DISCUSSED

Lisbon EXPRESSO in Portuguese 24 Dec 82 p 11

[Commentary by Augusto de Carvalho]

[Text] "The Democratic Alliance [AD] can survive only if it can form a strong and lasting government," said Professor Freitas do Amaral before the beginning of the CDS's [Social Democratic Center Party] national council meeting. The final communique from this centrist meeting concluded by insisting on the same thing and, through its words, show the conviction that the AD is here to stay until 1984.

The only thing is, these words should not be taken too seriously. It was not long ago that the vice prime minister of defense, Professor Freitas do Amaral, turned against journalists who wrote that he would shortly leave the government. At that time, Freitas do Amaral said (he even said it on the RTP [Portuguese Radio-Television System]), in his characteristic serenity, that the government was going to last and he himself would only step out of the government team for a meager 15 days so as to prepare his dissertation. Apparently, the journalists were already right then.

Politicians have the habit of quickly forgetting the statements they make. Statements serve only for the moment in which they are pronounced. This has occurred frequently in Freitas do Amaral's case.

## Disbelief

Judging from Prof Freitas do Amaral's attitude during the national council meeting, we have recognized that he is not waging on the next government's future (in which he will not participate) with conviction. Very reliable centrist sources told us that the CDS leader does not believe in this second breath, despite the fact that he had gladly greeted the discussions with Prof Mota Pinto aimed at heading the government. Conciliatory parties to that meeting stressed that Mota Pinto comes from far outside the Lisbon/Cascais axis and he will be able to referee between Freitas do Amaral and Francisco Balsemao. On the subject of politics, these two are not dying of love for one another at this time. There are even those who suggest that Balsemao's main political rival is Freitas do Amaral and vice versa. However, their relationship is polite.

Speaking of referees, there are those who ask themselves, will Mota Pinto be a player or a referee once he is in power?

This is a question to which we still do not have an answer. There are no doubts that the Coimbra professor will also want to secure himself within the Social Democratic Party [PSD]. He certainly must have studied Balsemao's lesson so he knows the party's inner workings.

Freitas do Amaral is Most Important in the CDS

What will be the CDS's attitude?

To answer this question is the same as to answer, what will be Freitas do Amaral's behavior. Despite the fact that he presides over a party experiencing deep internal discord, he remains its primary point of reference. He is to the CDS what Mario Soares is to the PS [Socialist Party].

There is no doubt the letter the vice prime minister wrote to Francisco Balsemao became the straw that led him to resign. The letter's contents are not yet known, but persons close to both politicians say openly that he would leave this government or a future one. As a matter of fact, if the reader recalls, EXPRESSO reported this already in August. This newspaper reported then that Freitas do Amaral was preparing to leave the government preceded by Marcelo Rebelo de Sousa. At the time, there were talks between the two concerning a possible rethinking of what a Christian Democratic Party should and could be. The EXPRESSO story was denied at that time. It now appears clear that Marcelo Rebelo de Sousa has resigned and Freitas do Amaral refuses to participate in a future government. The minister for parliamentary affairs was more consistent in this regard in that he did not deny nor did he contradict himself.

The CDS's Tactics

Freitas do Amaral's tactics have been known for a long time. It can be said with assurance that the prime minister could never count on his full, never mind enthusiastic, support. The centrist leader probably stopped believing in the AD on the day Sa Carneiro died. From that moment on, he planned his strategy. His strategy could be to disassociate himself from the PSD and push it toward the PS's sphere. By so doing they would (so to speak) be forced into a coalition, thus leaving the CDS as an alternative to power.

This is the only way to understand why Freitas do Amaral found it necessary to wholeheartedly defend the idea of splitting up the alliance at his party's national conference. However, he did give the AD another change by giving preference in this sentence to Mota Pinto (for reasons we will explain later).

Persons connected with the PSD and CDS told us that the vice prime minister wants to show his peers that an AD government will shortly perish. The only remaining solution is early elections. Sources close to Freitas do Amaral told us he is convinced the CDS will greatly increase its share of the vote

in the legislative elections, the PSD will suffer a large loss, and the PS will be victorious (although by a relative majority). In such a case, the PS would form a coalition with the PSD, leaving Freitas do Amaral alone in opposition on the right.

#### CDS and PSD: Tender Antagonism

This scenario would reduce the PDS's--the CDS's main enemy because it prevents it from growing--influence and its electorate. There are, in reality, PSD fringes which would certainly go over to the CDS if a more leftist policy were to be put in practice by the PS and PSD.

It is even natural that Freitas do Amaral take a vacation from his party so that he can prove to some of the "barons" who oppose him that there will be chaos among the Christian democrats without him. He can return afterwards strengthened.

Given all these behind the scenes events, we are right in doubting the CDS's final communique reference to "the illegality of the demand for or the calling of early legislative elections." The communique continues, "it is imperative that present difficulties be resolved in a consistent and speedy manner and, at the same time, foster the advancement of a new AD government." It adds, "it is essential that the new government be strong so it will last." It also expresses "confidence in the AD parties knowing how to find out the best solutions for the country through open dialogue and in joint meetings, and thus build a dynamism of determination, hope and progress."

#### To Push the PSD Out the Door

Meanwhile, Rui Pena, a quasi CDS dissident, prompted by journalists after his party's national council meeting, seemed more like a member of the opposition in his harshness toward the government. He said in effect:

"There is no doubt that it was the economy and the inability of the present government to resolve the economic crisis that determined the most recent election results." He then sketched the outline of the new government that would be to the CDS's liking. "A strong government exists when there is a prime minister who loyally interprets the Democratic Alliance's objectives in this new revitalization effort and tries to catch its breath. Naturally, it must have well defined ideas on each sectorial policy, especially on attacking the economic crisis."

Consequently, it was not only Freitas do Amaral who attacked the prime minister or the PSD. The CDS has the psychology of victory enrooted in it. It also has the conviction that the PDS is a hindrance to achieving victory. It is, therefore, necessary to push the PSD out of the door but politely, if possible, without great shakeups and without having to assume responsibility for the split.

No one can now save Sa Carneiro's creation from splittin' gup. In the past, people said that Salazarism without Salazar was impossible, that Marcelo Caetano would in now way be a solution, and another system had to be found. So now it is not possible to have the AD without Sa Carneiro. Freitas do Amaral understood this very early and he has been doing everything to hurry along the AD's ruin.

#### Help for Mario Soares

Curiously, Freitas do Amaral is giving Mario Soares a hand. Early elections at this time do not suit Mario Soares in the least, as he, as a matter of fact, already said to some of his close friends. Mario Soares would like to see a strong mar. in Sao Bento in the upcoming months: Someone who would impose unpopular measures which he would have to continue should he be elected. It would be advantageous for the PS to have the tough measures connected with a rightwing government. The PS will be able to win the elections more easily and it will be able to lessen this or that measure more easily while making a bit of leftist demagoguery. Freitas do Amaral will also make use of this to stir the CIP [Portuguese Industry Confederation], the CAP [Portuguese Farmers Association] and the right in general against the new Socialist Party policies. The die is cast, all that remains is to wait for the elections and destroy the interregnum which Balsemao is trying to make last until 1984.

9935

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## MADRID BEGINS MOVES FOR INTERNATIONAL DISARMAMENT

Madrid DIARIO 16 in Spanish 12 Jan 83 p 7

[Article by Enrique Montanez: "Spain Will Contribute to World Disarmament Policy"]

[Text] Madrid--Today the Council of Ministers will approve the creation of an Office for International Security and Disarmament Affairs within the Ministry of Foreign Affairs, so that Spain may begin to work on its own initiatives in this vital field of modern diplomacy which affects the policies of the blocs. The council will appoint new director generals in the department mentioned, and three advisers for the minister.

The Ministry of Foreign Affairs is proposing to centralize and emphasize all matters relating to international security and disarmament, with the creation of a main office which the Council of Ministers will approve today. Diplomat Carlos Fernandez Espeso will be named to head this new department, which will be called the "Office of International Security and Disarmament Affairs."

Yesterday diplomatic sources told DIARIO 16 that the minister of foreign affairs, Fernando Moran, is today presenting to the Cabinet the royal decree creating this new office and its organizational chart; but, however, the appointment of Fernandez Espeso will take place later.

Work has been proceeding in some departments of the Santa Cruz palace and among those responsible for foreign policy in the government party--obviously in different ways than before the time when the PSOE [Spanish Socialist Workers Party] came to power--concerning the need to have one department which would gather together and keep up to date all international proposals relating to security and disarmament.

Keep Up to Date

The advisability of having highly specialized teams to concentrate on this facet of international relations, which is becoming increasingly important, has been gradually included in the operational plans of European and American diplomats ever since the beginning of the decade of the 1970's, with the Helsinki Conference. Although belatedly, Spanish diplomacy is joining in this

arrangement which has as its goal "that Spain should prepare and keep up to date its own initiatives in policies relating to security and disarmament; and introduce them in international forums," as diplomatic circles explained to DIARIO 16.

It so happens that the president of the government himself, Felipe Gonzalez, has shown great interest in expediting the creation of this new department.

The new office will centralize all topics now dispersed through various bureaus of the Ministry of Foreign Affairs and the Ministry of Justice. Carlos Fernandez Espeso is one of Spain's most brilliant diplomats. He is an expert on subjects related to disarmament and the SALT talks, Mediterranean policy and NATO-Warsaw Pact confrontation; he has taken part in the commissions which negotiated the bilateral Spanish-US agreements, and is a member of the Spanish delegation to the Conference on European Cooperation and Security.

The Council of Ministers will also approve the following new appointments in the Ministry of Foreign Affairs. As director general for Africa: Manuel Sassot, currently ambassador in Djidda (Saudi Arabia) and an expert on African affairs--as is Fernando Moran. The new director general was ambassador in Khartoum (Sudan) from where he monitored the progress of OAU "summits" and, in general, matters involving the Western Sahara and the Canaries.

Carlos Blasco, who up to now has been commercial counselor in the Buenos Aires embassy, will be appointed to head the office of economic relations. Jose Antonio Carriedo will be named to head the office of cultural affairs.

#### Advisers

The Council of Ministers will decide on the appointments of three counselors for Minister Fernando Moran. Helga Soto, current press chief of the PSOE will move on to take over the duty of a "bridge" between the ministry, the PSOE and the Moncloa. Her office will be located in the Office of Diplomatic Information [OID], and she will be under the direct orders of the minister and of the director general of the OID. Professor and historian Angel Vinas will also be appointed counselor, and will basically act as a consultant regarding relations with the United States. The third counselor is Francisco Jose Mayans, currently press chief at the Spanish Embassy in Paris; and he will devote himself to keeping track of Spanish-French relations.

8131

CSO: 3548/93



## BALEARICS AUTONOMY STATUTE APPROVED, OTHERS TO BE CONSIDERED

Madrid DIARIO 16 in Spanish 12 Jan 83 p 7

[Article by Carlos Santos: "Parliament Approves the Balearic Islands Statute"]

[Text] Madrid--The plenum of the Congress of Deputies yesterday gave the green light to the Balearic Islands Autonomy Statute. An amendment to the body of the statute which was proposed by the popular group (AP-PDP) [Popular Alliance-Peoples Democratic Party] was rejected, with 94 votes in favor, 190 opposed, and 15 abstentions.

The amendment had been heatedly defended by Alliance deputy Abel Matutes, who claimed that if the statute was put into effect as it is currently written it could lead to "very serious consequences for our autonomy."

The popular group totally rejects the government's text, which it considers to be "95 percent the same as the first draft proposed 4 years ago by the PSOE [Spanish Socialist Workers Party]. It is a completely socialist project." The main topic of the debate is the electoral system that was chosen, which gives the island of Mallorca the most representation in the autonomous bodies. This is the area with the largest population. AP-PDP is in favor--just as it is in other statutes--of an electoral system which gives greater representation to the less populated areas.

Gregorio Mir Mayor defended the present wording of the statute, speaking for the socialist group. He stated that "those who say that it is a PSOE statute are acting in bad faith, since it was agreed upon by all the Balearic Islands political forces, with the exception of the AP;" and he asserted that there is no serious reason to reject it totally, characterizing as "deceptive" the amendment to the statute proposed by the AP-PDP.

Yesterday's plenary session was the first one of those expected to be held this month when they will try to press forward on the autonomy statutes which are pending for the Balearics, Madrid, Castilla-Leon and Extremadura.



## Plans

The autonomous statute for Madrid will be debated in the Plenum, probably on 25 January. Yesterday there was a meeting of the group in charge of studying it. The communists withdrew all the amendments which they had proposed. Popular Alliance retained theirs. The most important of these also affects the electoral system. Others refer to the creation of local representative bodies, and another to the legislature's powers as regards economic matters.

The Castilla-Leon Statute also is expected to continue on its parliamentary course. The general committee of the Congress decided yesterday to reject a proposal from the AP-PDP as an amendment to the statute as a whole. This amendment attempted to remove from the text all mentions of "Leon," speaking simply of "Castilla."

Also, the general committee of the Congress accepted the presentation of an organic bill which seeks to include Segovia in the autonomous community of Castilla-Leon, citing article 144 of the Constitution, which grants this prerogative to Parliament in cases "of national interest." The province of Segovia had been taken out of the Castilla-Leon autonomy process in the face of opposition from some municipalities, who had gone along with the proposals of Modesto Fraile.

8131

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SCHORI: FOREIGN POLICY MOVES AIM AT EASING U. S., USSR TENSION

Helsinki HELSINGIN SANOMAT in Finnish 9 Jan 83 p 29

[Article by Vesa Santavuori: "Sweden Tries to be a Moderating Influence, Great-Power Relationships to be Made More Effective"]

[Text] Stockholm Sweden's Social Democratic government is on the diplomatic offensive, with the purpose of creating more active relationships with the superpowers.

A visible demonstration of Sweden's aims is the recent visit of state secretary Pierre Schori, a leading official in the foreign ministry, to the United States and his visit to Moscow, which will take place now already before the middle of January.

Schori said he had a "pleasantly friendly" reception in the United States. State Department officials in Washington did not repeat the sharp criticism with which United States UN representatives slapped Sweden last fall.

#### Differing Viewpoints

The thing that set off the fall irritation was Sweden's statement in the UN, according to which "The United States is supporting tottering dictatorships in Latin America."

Schori said that in spite of the present more conciliatory tone, the United States and Sweden still have differing viewpoints, especially on questions concerning Latin America and security policy.

Official Washington apparently did not show great understanding about Sweden's proposal for an nuclear-free zone in Europe. On the other hand, Schori said--in connection with the submarine incident--that he reminded the United States that Sweden will defend its territorial waters in every way.

All in all, Schori nevertheless gave the impression that he had been in certain ways "approved" in Washington.

It is personally very important for Schori to create such an impression. It is claimed that he has been considered in the United States a "bad spirit" among Swedish Social Democrats.

Schori is known especially as a Latin America expert and otherwise as an orthodox Swedish Social Democrat on world-political questions. As a politician he has not shied away from presenting viewpoints differing from the United States line.

Now, as an official, it is vital to him that his reputation in the United States as a "bad spirit" not disturb unnecessarily Sweden's state relationships with the "Great West."

"The 'Great East' is Unknown"

The United States' most problematical relationships in recent years have been, judging from all evidence, those with the Soviet Union--"the great unknown East," as one expert characterization in Stockholm calls it.

The basic situation has again become the feeling that, since the errors of the Vietnam war have receded into the night of forgetfulness, Swedish opinion at the level of the citizenry is much more positive in relation to the United States than to the Soviet Union.

From the point of view of the Social Democratic government the situation means that openings toward the East must be made much more carefully than is the case with caring for relationships to the West.

So the Stockholm media have begun to publish rumors to the effect that during the nonsocialist government, 1976-82, a foreign policy was conducted that was western-minded. It is feared that the credibility of Swedish neutrality suffered from that.

As one example the visit of U. S. Secretary of Defense Casper Weinberger to Sweden in the fall of 1981 is mentioned. The charge is made that at that time the American secretary was welcomed "excessively" warmly.

One remembers also the statement of foreign minister Torsten Gustaffson of the Center Party, according to which Sweden is of course a neutral country. "However, we know where we belong," thought Gustaffson aloud, in a way that is not in harmony with the position of a minister.

The Social Democratic government that came to power in the fall is now attempting to give the impression that it is high time to correct the bourgeois government's foreign policy mistakes.

Balance Difficult

Correcting the mistakes seems to require diplomatic activity that is difficult to balance, in which relation with the Soviet Union may be played politically just as much as with the competing superpower.

But just recently relationships with the Soviet Union have shown friction that will be difficult to eliminate. Since the Soviet submarine U137 ran aground near Karlskrona in the fall of 1981, all submarine incidents have been blamed on the countries of the eastern bloc in the mind of the people.

Just before Christmas of 1982 Sweden had to expel two Soviet diplomats accused of industrial and military spying.

The reaction of the press to the incident said much. Pages were written about the despicability of Soviet spying. Those who described the expelled diplomats were so enthusiastic in their pursuit that the victims' chauffeur finally lost control.

He tried to run down a press photographer with a car. The so-called liberal GOTEBORGS-POSTEN printed a picture on its front page in which the enraged driver appeared from his expression to really be trying to run down the man taking the picture.

The picture told a very different story to GOTEBORGS-POSTEN readers, who are already fed up with events in Afghanistan and Poland, than it did to representatives of the Soviet Union at the Stockholm embassy.

#### Lessons of the Story

A third story could be read from the incident to Sweden's foreign-policy leaders, one that contains both warning and advice.

The warning was that representatives of the superpowers are just people, and they can easily be offended. The advice was to consider carefully which is ultimately more important, to care about feelings at home or abroad.

Just now it seems that the main emphasis is being placed on those foreign countries. In spite of the expulsion, state secretary Schori did not cancel his trip to Moscow, even though the media demanded that.

The state secretary is known to have many important things in his briefcase to tell about Sweden's attitudes. It is known that he wants to assure Moscow that Sweden is completely sincere in its declarations of neutrality.

He also wants to remind them--as he did already in the United States--that the credibility of neutrality requires defense of the national territory against incursion from any direction.

If the superpowers believe that, Sweden has practical possibilities of pursuing a policy of disarmament and detente whenever superpower relationships permit it. And prime minister Olof Palme has said Sweden is preparing for just such a possibility.

9611

CSO: 3617/52

## UNDERSECRETARY FOR DISARMAMENT ON ANDROPOV OFFER

Stockholm DAGENS NYHETER in Swedish 14 Jan 83 p 12

[Article by Robert Braunerhielm: " Inga Thorsson: 'Time to Negotiate Now'"]

[Text] "NATO must take the chance now and negotiate in earnest with the Soviet Union after Andropov's latest peace initiative. The Soviet disarmament proposal is not merely a play for the galleries, it is seriously meant."

This is what Inga Thorsson, a disarmament negotiator and peace fighter for many years, said in a deeply felt speech on Thursday.

"I believe one can be optimistic. Now there is a real chance for achieving results," continued Inga Thorsson, who spoke at the Institute for International Affairs in Stockholm.

She was referring to the proposals recently presented by the Soviet Union and the Warsaw Pact:

- a) An offer to reduce the number of Soviet intermediate-range missiles, among others the disputed SS 20, to 162, the same level as for the corresponding French and British weapons.
- b) A proposal to NATO for a non-aggression pact.
- c) A detailed presentation of the Soviet proposal to cut down its force of strategic nuclear weapons.

Inga Thorsson now hopes that Reagan and NATO will accept the proposals and initiate negotiations. She is very critical of NATO's way of constantly rejecting Soviet proposals as being propaganda tricks intended to flirt with the peace movement in the West.

"The best way to prove that this is really the case is to begin negotiations. If the Soviet Union has no serious intentions, this would then be revealed at the negotiating table," she says.

Inga Thorsson does not have much good to say about the desire of the United States for real detente.

"It is primarily the fault of the United States that we have not made any further progress in detente and disarmament," she says.

Inga Thorsson maintains that during Carter's presidency in 1978 one came very close to reaching agreement on a total test ban for nuclear weapons explosions.

"But very influential groups in the United States which did not want a nuclear test ban managed to halt it at the last moment. Since Reagan assumed office the attitude of the United States has hardened considerably, which has made continued negotiations difficult."

But Reagan's attitude has softened recently, and Inga Thorsson believes that this is largely thanks to the peace movement.

"The increased influence of the peace movement, primarily in the United States, is due to the broadening and deepening which the movement has undergone. Scientists and politicians who previously participated in the development of nuclear weapons and nuclear weapons strategy have now realized that it has gone too far. They have joined the peace movement and that is a very great strength for it."

11949

CSO: 3650/98

## COMMENTS ON PROBLEMS OF LIBERAL LEADERSHIP

Stockholm DAGENS NYHETER in Swedish 14 Jan 83 p 6

[Commentary by Sven Svensson: "Ullsten's Momentous Year"]

[Text] Ola Ullsten will have one year to bring the Liberal Party back to life. This is the purpose of the extraordinary national meeting in Stockholm during the weekend. If Ullsten fails to rapidly show that he is a capable party leader, demands for a change will be brought up with increased pressure at the next national meeting.

The next national meeting will officially be held in Stockholm in November 1984. But strong forces are already working to move the meeting up to the spring of that year.

This means that a potential new party leader will have more time to grow in his role before the 1985 elections, which could become totally decisive for the political survival of the Liberal Party.

Since 1966 the Liberal Party has changed from being the largest to being the smallest non-socialist party and has changed party leaders according to the assembly-line principle.

## Divisive

No self-examination has been as divisive and created as many wounds as the most recent one. More than 4 months were used up by internal warring and factional fighting of almost communist character.

The open struggle between Gosta Bohman and Yngve Holmberg in 1970 for leadership of the Conservative Party was a breeze compared to the quarrels in the Liberal Party.

It is not possible to be absolutely certain that Ola Ullsten will be reelected with acclamation at the extraordinary national meeting.



A demand for secret ballot in the party leader issue could, for example, lead to many blank ballots. This would shake Ullsten and reduce the Liberal Party's chances for survival in the next election.

### Self-Flagellation

Nevertheless, something good has probably resulted from the endless self-flagellation to which the Liberal Party has openly subjected itself since the election.

The purification process has contributed to sifting the wheat from the chaff. First, Ola Ullsten showed that, despite all, he has colder nerves than any one else in the entire Liberal Party crew, once he left the crystal chandeliers of the Swedish Foreign Office.

Birgit Friggebo, the Madame X of the Liberal Party's unfortunate election committee and consequently Ullsten's prime competitor for the party leadership, was weighed but found to be too light. She was not sufficiently trained to be in that spotlight which a candidacy for party leadership involves. To take 3 weeks to decide whether one wants to become party secretary is at least 2 weeks too many for someone who is party leader material.

### Out to the Right

The other candidate for party leader, Bjorn Molin, former minister of trade from Goteborg, landed on his feet by saying early enough that he did not want to lead the party.

Molin likely has aspirations for a post in the party presidium, although that would adversely affect Education Minister Jan-Erik Wikstrom.

Former state secretary Bengt Westerberg, with his non-socialist institute of inquiry paid for with employer funds, walked off toward the right of the political geography.

Westerberg is accompanied by many of his civil servant colleagues from the period in office. A sort of collective group of Liberal people went to the SAF (Swedish Employers' Confederation) after the election.

### Leading Couple

Former Labor Market Minister Ingemar Eliasson has consolidated his party leadership shares by means of a cautious and loyal attitude.

Much indicates that Eliasson will pull ahead as chief candidate for the post of party leader should Ullsten fall through during his year of probation. If Ullsten continues, it is clear that he and Eliasson will become the leading couple in the Liberal Party with the aim of winning a few tenths of a percent in the 1985 election.

It was thanks to the Liberal Party that the unicameral Parliament was created at the end of the 1960's. Without Bertil Ohlin's tenacious struggle for constitutional reform the Social Democratic epoch of power would probably have remained unbroken.

The Liberal Party's dilemma resulted from the fact that the unicameral Parliament reinforced both the struggle for power and the bloc politics. In the name of the holy bloc politics, the Liberal Party had to distinguish itself from the other two non-socialist parties as well as enter into a non-socialist bloc.

It was not possible for a small party on the way down to cope with this difficult balancing act. Equality between the sexes, family doctors and increased foreign aid were perceived as discreet little squeaks, while the Conservatives and Social Democrats were fighting about taxes and jobs.

#### Power-Hungry

Furthermore, it was enormously much fun to govern after a long and frustrating period of opposition. During the days of greatness of the Liberal Party many power-hungry persons had gathered in the party, who were only waiting for the wonderful times of a change in government.

The problem was that these power bigwigs really had no idea of how to use this power once they actually had the opportunity. All they had was one unrealistic election promise after another.

It was different for the Conservatives. From the beginning they had a clear strategy: They would strengthen their influence in a non-socialist government and among the voters. First, it was a matter of becoming presentable, then, to fight the other two non-socialist parties. And both Falldin and Ullsten allowed the Conservatives to do so.

#### Profound

The circle has now been closed. The Liberal Party is once again in an opposition role, having made a contribution to the renewal of democratic rule which nearly caused its death. Nevertheless, under skilful leadership this could be the beginning of a cautious recovery.

Traditionally, the role of opposition should be more comfortable for a party such as the Liberal Party, which is against the abuse of power. That attitude is more suitable than corrupting oneself in the corridors of power and selling one's soul through all kinds of compromises.

The fact nevertheless remains, that the identity crisis of the Liberal Party is very profound. The compromises now with the right, now with the left created an impression of instability and unreliability which could take years to erase. Losing voters goes quickly, but winning new ones takes endless time.

## ULLSTEN BUOYANT AFTER VOTE OF CONFIDENCE AS LIBERALS' CHIEF

Stockholm DAGENS NYHETER in Swedish 14 Jan 83 p 6

[Article by Magdalena Ribbing: "A New, Aggressive Ullsten; The Party Will Hunt Down Instances of Lack of Freedom"]

[Text] "We have the amount of space we take."

Liberal leader Ola Ullsten presents quite a happy face this close to the extraordinary national convention which begins tomorrow, Saturday, and which is to vote him renewed confidence. He takes another turn polishing his major speech to the convention delegates. Now, the aggressive feature of liberalism will be brought out, he says.

A liberal person is someone who does not accept the choice between either the conservative or collectivistic solutions, Ullsten explains from his tilting desk chair in the House of Parliament. The table before him is reasonably tidy. The very fresh financial plan lies there, and the ash tray is close by. To be sure, he stopped smoking--again--on New Year's Eve, but this only means that he is out of cigarettes.

It is evident that the struggle he has won about himself, in his own party, has cost him a great deal. He looks tired. And he smokes a lot.

#### Confident

But: The word confident applies to Ola Ullsten today. He devotes much time to the formulation of his liberal message, and he believes in it.

"A liberal view of humanity," he says, "is characterized by confidence in the capability of the human himself, in people's taking responsibility for each other, and in being allowed to do so."

Who would think otherwise? Ola Ullsten maintains that this is the opposite of collectivistic and conservative solutions:

"Those are liberals who dislike the lack of freedom of a store closing law, which prevents the consumer from shopping when it is convenient, as are those

who dislike that large organizations speak on their behalf, although they never asked for it."

"Such things are collectivistic. Conservatives have always guarded the existing, opposed changes in society. And they have a less optimistic view of the capability of the human being himself than do the liberals."

Who, if not the human being himself, can decide what is good for him? Ola Ullsten asks.

#### Instances of Lack of Freedom

"There are only people, not superpeople who know better. Many protests are aimed against the intolerance, collectivism, lack of generosity of society," the Liberal leader says.

"We Liberals feel the same concern. Our weakness is that we have not sufficiently demonstrated what our answer is to that concern, that we want to change that society."

In what way?

"By hunting down instances of lack of freedom. By scrutinizing legislation, checking what side effects it may have in a perhaps legal law, by hunting down the superfluous prohibitions and the unnecessary clauses. In a governing position the Liberal Party tried to decomplicate Sweden. But it is a colossus, this complexity. We had time to take a few steps down that road, however."

And, Ola Ullsten says, it is a liberal virtue to dare review one's decisions if they are found to be incorrect.

Liberalism has been a successful concept, which has also influenced other parties, in the opinion of the party leader.

#### Entangled

"If the Liberal Party weakens, what is liberal in other parties will also weaken."

Does the Liberal Party have sole rights to liberalism?

"That would be pointless to debate," Ola Ullsten says. "Liberal is a concept which represents a great deal--to the Conservatives it means a new economic liberalism, which is a more conservative liberalism than what the Conservatives perhaps intend to represent. What the Liberal Party is talking about is the social liberalism, which is founded on the concept that freedom does not become a freedom for everyone unless it is shared. And freedom must basically be there in a secure society."

Society is not free today, Ola Ullsten says and assumes his share of the criticism.

"The power which should be held by the people is instead held by the bureaucracy, the institutions; people are entangled in rules and regulations. We built this up ourselves through the popularly elected Parliament, which made the decisions. When we criticize it, that is criticism of what was done with the right intentions, although it turned out wrong. We are all guilty of having caused it."

Shaken

We need a society which functions. Bureaucracy and institutions are needed for this--but liberalism must see when things get a step too close to the lack of freedom, in Ola Ullsten's opinion.

"The criticism is not aimed against other parties. If one disregards daily politics and looks at the principal concepts of socialism and conservatism, this is the way it is, in my opinion: When conservative politicians point to the lack of freedom in society they forget that some of that freedom is security. And the socialists do not see the conflict between the demand for security and the demand for freedom. The Social Democrats are system builders, unwilling to allow people to learn from their mistakes, in my opinion."

Ola Ullsten intends to reason like this with the Liberals at the national convention tomorrow. How does he feel after the unprecedented uproar about the party and about himself personally? He is shaken by the debate, he admits:

"But I also feel, and this is not merely a phrase, great warmth in the support that has been expressed."

No Desire for Power

And yet: To stand there before a party convention, at which perhaps half the participants would rather see another party leader, won't that be difficult?

"Half? I don't think that is true. I have learned something from the criticism. Now I will try to make do for the lukewarm ones, too," Ullsten says.

Liberalism is not a made-to-measure doctrine; there must be plenty of room to move, he believes. But the Liberals chatter too much outwardly, says he as well, although he does not feel it is a major crime.

Would he like to avoid the party leadership? Not yet, but politics will not be his last job, he hopes. That he has fought so hard for his post does not depend on a desire for power, he insists. Probably no Swedish party leader has any of that. Rather, it is loyalty to the party which has become dominant, perhaps too frequently.

Where does he himself stand in the party--in the center or to the left?

"I view myself as an old-fashioned liberal; my primary allegiance is not to non-socialism but to liberalism.

And the head of Volvo, Pehr G. Gyllenhammar, who wanted to remove him from the post as party leader, is an asset to the party executive committee, in Ola Ullsten's opinion.

"He is a worthy opponent in debates."

11949

CS0: 3650/98

## COMMUNIST TACTICS BEHIND BUDGET VOTE EXAMINED

Stockholm SVENSKA DAGBLADET in Swedish 19 Dec 82 p 2

[Commentary by Axel Waldemarson]

[Text] "But force and violence can be exercised without using weapons. The threat is more than sufficient . . . "  
Jorn Svensson (VPK) in SOCIALISTISK DEBATT, 1971.

In the midst of the sales tax debate, C.-H. Hermansson had his 65th birthday and became a pensioner. He joined the Communist Party 42 years ago, during the brutal Soviet attack against Finland. Thus, he hardly could be called a party renegade.

Hermansson told me how painful it was for him during the cold war when the term "the democratic parties" was coined, which eliminated the communists from the circle of political respectability. This may have been responsible for the reformist zeal demonstrated by Hermansson as newly elected party leader in 1964, which almost transformed the Communist Party into a popular socialistic grouping.

All that remained was the actual name change. It was as if Hermansson's zeal for reform had petered out after it was declared that the "Swedish popular movement tradition" would be reflected in a party program that drove a wedge between the reformers and the orthodox Stalinists. What Hermansson failed to do was to give the Left Party Communists a sufficiently strong identity so that it could appear as an independent political force. It remained a support party.

## Thoughts From Gorz

Hermansson devoted much thought to the intricate problem of a communist party's role in a country with a parliamentary system. He took the idea of a so-called structural strategy from the French Marxist Andre Gorz: There was reason to support reforms that, to be sure, remained within the parliamentary framework but, in the long run, could provide suitable channels for transforming society in the direction of socialism.

Under Sven Lasse Linderot and Hilding Hagberg the strategy of "friendly persuasion" was used. "United front" was a popular slogan. The communists



demonstrated their good will during the struggle for ATP (General Supplementary Pension System). In the 1958 elections, they chose not to participate in 11 election districts in order to help the Social Democrats. They received little thanks in return.

#### Thankless Task

In 1964 Hermansson initiated an offensive strategy that was highly critical of the Social Democrats. The communists did not retreat, as they did in 1958. They wanted to achieve more than just "friendly persuasion," which in the long run was a tiring and thankless task that simply reinforced the impression of a support party that quickly got back in line as soon as the Social Democrats raised their voice.

Clearly, the Social Democrats saw Hermansson as a much more serious challenge than Hilding Hagberg and Sven Linderot.

#### More Intellectual

Hagberg and Linderot were the type of communist leaders the Social Democrats were accustomed to and knew how to handle. Hermansson is of a different material--much more intellectual.

The coalition years had led to an ideological drought among Social Democrats which they had not overcome completely in 1964, since they were occupied by the ATP battle and the Wennerstrom affair. Outside the Movement, the debate over the left blossomed in all possible--and some impossible--forms. The renewal of the communist party, with its clear popular-socialist features, was followed carefully on all sides. Popular-socialist advances in Denmark and Norway at the expense of the Social Democrats caused concern.

As Hakan Holmberg pointed out in his well-documented dissertation, "People's Power, People's Fronts, and People's Democracy," the Hagberg era's combination of obedience to the centers of communist power in Moscow and Eastern Europe and support for the Social Democrats' reform policies was followed by a declaration of independence from both Moscow and the Social Democrats.

That was not enough, however. In order to gain credibility, they needed to bring the Social Democrats to their knees, as in Denmark and Norway. They never succeeded in this.

Have Hermansson, now only leader of the parliamentary group, and the communists now gained this credibility through the events surrounding the sales tax vote? After all, this is the greatest parliamentary victory the communists ever have won in our country!

#### Strategy Of 1964

There is a straight line from Hermansson in 1964 to the political events today. "Hermanssonism" has won a double victory. First of all, it is a great victory

for the strategy of 1964 and, secondly, the recent victory was gained by the same instrument Hermansson used to achieve surprisingly good election results in 1964--price rises and food prices. In 1964 a Finnish Social Democrat described to me how Olof Palme, at an event at the Metropol Restaurant in Stockholm, had harshly criticized Torsten Nilsson for not attacking Hermansson violently enough in a radio debate.

Food prices are a good issue for the communists. It lacks ideological associations for the ordinary voter. VPK alone was able to win the differentiated sales tax system. Finally, this issue has become so closely linked to the communists that, in order to maintain their credibility, they cannot waver on this issue. Surprisingly enough, the Social Democrats have been unable to understand this.

#### Tactical Rapprochement

Thus, events proceeded in a predictable manner. The Palme government gave in. But it might also be said that political developments and the election system have caused a tactical rapprochement between the Social Democrats and the communists. The Social Democrats must act in such a way that they do not push the communists below the 4-percent barrier. At the same time, the Social Democrats must somehow justify their accomodation to VPK.

In the most recent election campaign, Palme avoided attacking Werner and VPK, for the most part. An old justification again was revived: it is better to keep an eye on the communists in parliament than to have them meeting in secret outside parliament. Once in parliament, the communists are the peers of the other parties. In addition, it is of practical value to have them on parliamentary committees. At the same time, this improves their chances of gaining over 4 percent of the vote.

However, Palme has undertaken a difficult balancing act. After less than 100 days in power, he has turned to broad solutions involving one or more of the nonsocialist parties--and this may occur throughout his term of office. All this increases his dependence on the communists, who always will find some issue or another to dispel their image as a paralyzed and frightened support party.

9336

CSO: 3650/84

## BILL LAYS OUT PARAMETERS OF POLITICAL PARTY OPERATION

Istanbul MILLIYET in Turkish 9 Jan 83 p 6

[Text] Ankara, Special--Preliminary work on the political parties bill will reportedly be completed by the end of January at the latest and submitted to the Consultative Assembly.

Work is in progress in the subcommittees assigned to write the bill's articles. The article on candidate selection and the method to be used in the first elections was written, it was learned, on the basis of an agreement in principle reached at the conclusion of discussion in the subcommittee. It allows consultative Assembly members to run at large for national deputy in areas where political parties are unable to complete their organizing at the provincial and district level. However, in areas where party organizing is completed at the provincial and district level, they will have to run in the primaries.

The bill contains the following articles, some of which compulsory under provisions of the new constitution and others, the result of decisions in principle reached in committee:

--Political parties are accepted as essential elements of democratic life.

--Parties will be formed without obtaining prior permission. Fifteen people may join together to form a party.

--Reporting the names and addresses of the founding members of the party and the bylaws and program of the party formed to the Ministry of the Interior will be obligatory. Information provided to the Ministry of the Interior will be examined by the Office of the Attorney General of the Republic for constitutionality and conformity to the political parties law.

--Party members may be organized at the general headquarters, provincial, district, subdistrict and precinct levels. They may not form youth chapters and women's chapters.

--A person must be 21 years of age to be a party member. Definitely excluded from party membership are judges and prosecutors, members of the high judiciary organs, teachers at institutions of higher learning, civil servants, students and members of the armed forces.

--Parties may not receive financial and political support from associations, cooperatives, unions or foundations. However, contributions not to exceed 200,000 liras may be accepted from private individuals. Party-member national deputies may contribute only up to 50,000 liras.

--Parties may operate clubs, arrange balls, concerts and entertainments and sell flags and pennants.

--There will be no state assistance to political parties. Financial oversight of the parties, however, will be assigned to the Constitutional Court.

--Parties may hold one minor convention annually. Central executive boards, national deputies and provincial chairman will attend minor conventions. Compulsory major conventions will be held at least every 2 years. Major conventions will be attended by provincial delegates in addition to those who also attend minor conventions. However, the total number attending major conventions may not exceed twice the number of members of the Turkish Grand National Assembly, that is, 800 persons.

--The central executive boards of parties may remove the general chairman and call for elections to replace him. In such cases, special conventions may be convened.

--Decisions adopted by parties' parliamentary groups may not be dictated by central executive board decisions.

--The party central disciplinary board may adopt decisions for temporary expulsion. For permanent expulsion, however, a decision by the major convention is necessary. Expelled individuals may appeal to the relevant court for reversal of this decision.

--No parties may be formed employing the names and emblems of the parties banned after 12 September 1980. The new parties to be formed may not claim to be an extension of parties banned after 12 September.

--The banning of political parties will be decided by the Constitutional Court upon suit brought by the Office of the Prosecutor General of the Republic.

--The minister of justice may call upon the prosecutor general to file suit for the banning of a party providing the matter has been discussed by the government and such a decision adopted. The prosecutor general will examine the justice minister's petition and file suit if deemed necessary.

--All movable and real property of a party banned by the Constitutional Court will be turned over to the Treasury. However, if a party dissolves itself by a decision of the major convention, it may donate its property to another party.

--The founders and administrators of any rank of a party banned by the Constitutional Court may not become founders, administrators or directors of a new party. In addition, a new party may not be formed of which members of a banned party form the majority of the membership.

--Political parties will aid and support one another to preserve the integrity of the state as a nation and a people, to ensure the continuity of the state and the republic, to preserve the basic rights and freedoms and to oppose discrimination as to language, religion, race or creed.

--A member of one party may not be a member of any other party. In such a case, the other party membership will be considered invalid.

8349

CSO: 3554/114

## FINANCE MINISTER: FOREIGN DEBT DICTATES ARMS PURCHASE DELAY

Helsinki HELSINGIN SANOMAT in Finnish 18 Jan 83 p 9

[Text] According to Finance Minister Ahti Pekkala, the government's debt servicing payments are increasing to such an extent that all government expenditures are suffering. Because of it we will also have to temporarily extend Armed Forces procurement programs beyond what the Third Defense Committee has proposed.

Furthermore, according to Pekkala, we will have to pinch some money from the Army's less important activities for major focal areas.

Pekkala presented his views on Army procurements at the inauguration of the 87th National Defense Course on Monday in Helsinki.

Describing the economic outlook, Pekkala said that the reductions in expenditures will inevitably be extended to pretty much affect all expenditure groups. "Arguing for uniform reductions means that we will not have to invoke very harsh measures in any single sector.

"In the presentation he gave at the national defense course last month, the prime minister said that the Third Parliamentary Defense Committee recommendations will also be the guidelines for future governments. The views of the state of the national economy which I have presented do not mean that I differ with the prime minister on taking the committee's recommendations into consideration.

"The major focal areas proposed by the committee can and will most probably also be developed in the event of an economic recession. We will certainly have to temporarily extend development programs and look for funds [for them] in less important activities. How well we are able to direct existing funds toward appropriations regarded as indispensable will also turn out to be essential to our success in improving, on the one hand, the economy and, on the other, the administration of our defense needs," Pekkala said.

Pekkala said that defense expenditures increased sizably last year, even though defense committee recommendations could not be quite implemented in the full amount.

"National defense expenditures came to 3.857 million marks in 1982, including supplementary budgets. In the 1983 expenditures budget they amounted to 3.852 million, or slightly less in terms of current prices. However, it was just this budget that brought on the first government crisis produced by defense expenditures in over 50 years," Finance Minister Pekkala (Center Party) said.

Sutela: "We Must Be Able to Demonstrate Our Defense Capability

Armed Forces Commanding General Lauri Sutela reminded us at the national defense course inauguration that the focal point of Finland's security policy is in its foreign policy, but that "it, nevertheless, for its support needs its own defense capability, one we judge to be adequate in the possible event that we are faced with a threatening situation at some future time.

"Even in peacetime we must be able to demonstrate to foreign powers that using our territory for military purposes does not pay in view of the time and sacrifices it would require."

According to Sutela, such an effort will receive support from the Friendship, Cooperation and Mutual Assistance Pact, "which through its existence alone is suited to preventing the spreading of a conflict to our territory.

"According to the pact, Finland is committed to defending its territorial inviolability within its borders with all available forces, the primary responsibility for which duty of an independent nation by its very nature, of course, lies with us," Sutela said.

In his speech the general also discussed the peace movement and he noted that civic action goals aimed at preserving peace are generally approved of in Finnish society and that the Armed Forces are no exception to this.

"We cannot, however, approve of such detente phenomena as demands for our unilateral disarmament or actions against universal military service which have appeared in the peace effort," Sutela said.

Thirty-nine Finns who occupy leading positions are participating in the national defense course that began on Monday and will last for 3 and a half weeks. Parliamentary representatives are not at present participating in it because they are busy preparing for elections. So far over 3,000 citizens have attended the course.

11,466

CSO: 3617/59



## BRIEFS

DEFENSE MINISTER ON 1984 BUDGET--Defense Minister Juhani Saukkonen (Center Party) considers it imperative from the point of view of developing the defense forces and the army in particular that the appropriations for defense development recommended by the parliamentary defense committee be guaranteed without any compromises beginning in 1984. Saukkonen stated on Sunday in Kesalahti that this is not economically overwhelming and that it is a question of accomplishing one of society's indispensable basic needs. Saukkonen also pointed out that in spite of increased purchases agreed upon with the Soviet Union the amount allocated for the purchasing of defense materials will be approximately 40 million markkas less than the amount recommended by the committee for the current and previous year. Among the preparations for national defense Saukkonen emphasized the significance of emergency reserves as well as the development of civil defense for the rural population, among other things. In addition, he urged the swift passage of a bill proposed on the basis of work conducted by the readiness legislation committee. According to the Saukkonen the bill should be enacted after the parliamentary elections regardless of their outcome. According to Saukkonen the effectiveness of the defense forces depends on the training of personnel and their motivation in addition to materials. Finns have never lacked the will to defend their country according to Saukkonen. [Text] [Helsinki HELSINGIN SANOMAT in Finnish 17 Jan 83 p 9] 10576

## IMPACT OF IMBALANCE OF PERSONNEL EXPENDITURES, STRIKE POWER

Zurich NEUE ZUERCHER ZEITUNG in German 29 Jan 83 p 5

[Article by Ch.M.: "France on the Way to a Professional Army?"]

[Text] "Attention: France's massive nuclear retaliation will be triggered if this border is crossed." That is what in a strategy nightmare a warning poster could read at the Rhine near Strasbourg if one assumes that the French army has been abolished. This strategy would be an extreme continuation of pure nuclear advocacy which practically considers as meaningful and financially acceptable only missile submarines with a fleet guaranteeing their freedom to operate. A Cartesian quite some time ago pleaded for the necessary "true revision," stating that France neither by itself nor together with its NATO allies is able to prevail in a classical-conventional war against the Warsaw Pact's superior force. He exclaimed: "Let us free ourselves of the dead weight of the useless heavy tank divisions." Although France has not won a war by itself this century, the same critic advocated then an intervention armed force of approximately 150,000 men" in view of France's "international obligations and peacemaker role." In other words, a professional army of British magnitude? No, was the answer even of a liberal retired general and also of active-duty officers, although many have similar hopes, with or without de Gaulle's 1934 [publication] "Towards the Professional Army" in the back of their minds. The revolutionary tradition of mass conscription and universal compulsory military service sets political limits to the technical-utilitarian pipedream, especially under a Socialist presidency.

"Boarding Home of Boredom"

Every year twice as many draftees are being called up as are really necessary to maintain a conventional intervention force and a nuclear dissuasion potential. Thus argue the futurists of the radical "streamlining" group. About one half of the present French armed forces numbering nearly half a million consists of draftees of marginal efficiency with 12 months of service. Three quarters of them join the army, which with its present 197,000 draftees out of a

total strength of 312,000 men logically would be a main object of a "professionalization discussion." France continues to have a high callup quota of two-thirds of each year's registrants and, measured by German conditions, for practical purposes hardly knows the problem of conscientious objection to military service. Also there are no recruitment problems for demographic reasons on account of the slump in the birthrate caused by the pill, again contrary to the situation in the FRG--the probably successive reduction of the authorized strength in the next few years is likely to promote a statistical balance.

In the French army the ratio of personnel costs to materiel, especially in tank units, is as high as in the infantry. Among the 14 mobilization divisions, of which 10 would be "derived" from active duty units by adding militiamen and 4 would be formed from special service schools, the disproportion of personnel to materiel combat effectiveness becomes even more evident despite mere brigade strengths. Thus the temptation of a reduction of troops in view of the limited materiel becomes twice as strong. Prior to assuming his office, Defense Minister Hernu once termed military service as a "great boarding home of boredom." This phenomenon also troubles other standing armies based on conscription, which in part simultaneously maintain a high degree of readiness and increasingly are forced into economizing in view of the inflation and the even greater rise in the cost of technology.

#### Expensive Cuts

A paratrooper of the intervention forces need not worry whether his unit can spend the budgeted 100 days in the field, 50 of them with materiel, because the unit may well reach twice that number. However, the average draftee in any rear area garrison may be less and less meaningfully employed following the two months of basic training. The fact that volunteer conscripts of the 14th Infantry Division were authorized for logistics deployment in Lebanon and that comparable duty appears possible for the 27th Alpine Division signals partial official recognition of the problem, which, on the other hand, is not acute for an armored regiment such as the 501st RCC (tank combat regiment). With an annual 870 track kilometers per tank and hardly more than 30 live shells per tank, gunner training--54 per tank is the budgeted rate--is described as progressing satisfactorily according to plan. This seems to be low on a U. S. scale and also compared to the German economizing rates. Sometime ago the "minimum" was even smaller. Furthermore, combat exercises are to be planned mainly in small units--on small training grounds with surprisingly few complaints--while reducing maneuvers on division and higher levels. Looking beyond official budget statistics, what would happen in case of emergency as regards ammunition and fuel stocks is subject to secrecy and skepticism.

After an army exercise in Canjuers, Mitterrand praised "combat

readiness" and "unity" of the army. There is no doubt that these "combat virtues"--a term even a Socialist speaker can use in France without detriment--are embodied above all in the intervention elite. But it lacks the heavy equipment for deployment in Europe. However, the corps de bataille (battle corps) on both sides of the Rhine possesses such heavy equipment but without the completely high, though professional, combat readiness. Why no big cut? Even armed forces chief of staff Lacaze mentioned some highly remunerated armored and mechanized divisions with additional combat helicopter regiments formed in a smaller professional or volunteer army as a possible theoretical concept under the nuclear umbrella. The technical objection raised against this idea is financial in nature: the costs of a professional army would be so high that France could afford an army of little more than 100,000 men.

#### Camouflage Against Political Distrust

Whether the expensive mercenaries instead of the cheaper mass of draftees would suffice operationally need hardly be weighed in view of the main political objection: in this view the rooting of the will to defend one's country would be lost in the nation in case of a switch to a purely professional army. However, the question can be posed how much of that has become a myth, as it has in some other European countries, considering the fact that the argument is heard even from among the career officers of the professional intervention forces. Perhaps--while turning away from former missteps--they are instinctively more conscious of the "coup problems" of a praetorian guard of the Republic. Despite the historical "self-conception" as the "grande muette" (Great Silent One), the army in the country of Bonapartism and Boulangism has frequently enough followed the opposite of the doctrine...

Therefore in France there could merely be a stronger trend toward professionalization and hardly any abandonment of conscription in the foreseeable future. A camouflaged 150,000-man professional army and besides that "sports clubs" with short periods of service to maintain a national facade--that is what one advocate of a professional army sarcastically labels it. Original Socialist election campaign slogans promising to cut the period of military service in half to 6 months ironically may lead in the same direction. These slogans would be next to impossible to implement under the present system. Under the present economic conditions a shift to the professional army with extensive dismissals of cadres and an additional 300,000 potential unemployed would be just as unlikely. "Mixed solutions" remain possible. Defense Minister Hernu himself indicated such solutions with reference to "conscription 'a la carte'," i.e. for some services the re-signing of "conscripts" after 12 months for at least an additional 6 months against good pay and generally increased use of extended service volunteers with probably a correspondingly lower call-up quota and 6 months service for other draftees. All

that may lead to greater motivation and less boredom in the garrisons.

#### Combat Readiness and Mystique

The need to economize provides the French army with an opportunity for a grand new concept. The temptation to perform a partial restructuring, more like patchwork, is just as readily evident. The personal favoring of the paramilitary National Gendarmerie at the expense of the army by Defense Minister Herenu, the son of a gendarme, can be readily justified conceptually: the increased inclusion of the alert police as part of the "Operational Territorial Defense (DOT)" and against unconventional dangers of terrorism appears to make sense. But this is done--not without misgivings among the professional cadres of the DOT--more like an improvisation while a redefinition of the shadowy and largely neglected DOT is required, especially in view of the coming retrenchment measures.

As to the "combat readiness" that is being impressively demonstrated by the intervention forces, the question has become acute how, independent of the exact parameters of the future army structure, the visible lack of activity and troop strength during the two national summer vacation months can be justified in other units. Col. Guy Doly's book "La 6e Colonne" (The Sixth Column) on a lightning conquest of France by the Soviets over a Whitsuntide weekend in the 1980's appears to be almost "feasible" on a date after 14 July, obviously more than for other "peacetime" armies. Of course, France is not quite "up front" at the confrontation line. Thus calmness in the style of de Gaulle's mystique "Fil de l'Epee" (Point of the Sword) is maintained, calmness that is not always rewarded by history: The French army has a long history. For it, just as for Hamlet, "the day is not so young."

12356

CSO: 3620/194

## SUPPORT FOR DISMISSED CAVALRY GEN GALIANO TAVARES

Lisbon O DIABO in Portuguese 11 Jan 83 p 15

[Excerpts] It was an appeal for cohesion, "which will be to the benefit of the army," that Brig Gen Ricardo Galiano Tavares, former director of the cavalry, made when, in a speech marked by patriotism and a feeling of military duty, he expressed gratitude for the homage paid to him last week by about 120 army officers, including 5 generals.

As is obvious, the homage resulted from a feeling of strong solidarity with Galiano Tavares and of protest over the arbitrary manner in which he was recently dismissed: as we mentioned at length in the last edition of O DIABO, the cavalry director, now replaced by Brig Gen Santos Teixeira, was dismissed by Garcia dos Santos of the CEME for having appointed Brig Gen Carlos Azeredo to the Arms Council, the same officer whom Garcia dos Santos sentenced to prison last year for having written him a letter advising him (with abundant reasons, moreover) to reconsider his positions and responsibilities and clarify the accusations of which he is continuing to be the target.

There were dozens of other officers who participated in the dinner honoring Brig Gen Galiano Tavares, and not only from the cavalry, who, finding it impossible to attend, sent telegrams of greetings and support. Gen Duarte Silva, former deputy chief of the Army General Staff, speaking on behalf of those present and absent, pointed out the one being honored as a genuine model of military virtues.

## New Cavalry Council

## Elected:

Col Alves Ribeiro--2d commander of the independent joint brigade of Santa Margarida

Lt Col Manuel Monge--commander of the PSP [Public Security Police] intervention corps

Maj Governo Maia--commander of the reconnaissance squadron of the independent joint brigade

Capt Balula Cid--of the Skilled Horsemanship School of Santarem

Capt Ramos Cadete--of the military academy

Capt Nunes de Melo--of the Skilled Horsemanship School

Appointed by the arms director (exonerated a few days ago by Garcia dos Santos:

Brig Gen Carlos Azeredo (who was not replaced; nor is it known if he will be)

Col Antonio Pereira Coutinho--inspector of the cavalry directorate

Lt Col Soeiro Cidrais--of the Estremoz Cavalry Regiment

Maj Luis Pereira Coutinho--of the Braga Cavalry Regiment

8568

CSO: 3542/14



## BRIEFS

GEN DUARTE SILVA PROTESTS--Two months prior to his compulsory transfer to the military reserve because by then he will have reached the age limit, General Duarte Silva, the present vice-chief of the Army General Staff, has asked to be removed from active duty. He did this in a letter sent to General Garcia dos Santos, who is the incumbent CEME. Duarte Silva is 58-years-old and has served his military career in the cavalry branch. He was promoted to brigadier, and shortly thereafter to general, in the year 1976 when he served as commander-in-chief in Madeira and as commander of the North Military Region. In 1979 he replaced General Altino de Magalhaes in the vice-chief of the Army General Staff position, the one he has held to this day. According to sources close to General Duarte Silva, he asked to be transferred to the military reserve because he disagreed with the punishments meted out by the CEME to Brigadiers Carlos Azeredo and Galiano Tavares. The former was punished with 10 days in prison and the latter was relieved of his duties as commander of the cavalry branch. [Text] [Lisbon O JORNAL in Portuguese 21 Jan 83 p 10] 9972

CSO: 3542/18

## BRIEFS

ESA BUDGET INCREASES--The 1983 budget of the European Space Agency (ESA) has just been adopted unanimously; it is fixed at 667.375 million UC [Units of Account] (a unit of account is equivalent to Fr 6.42). This sum, though, does not represent the agency's entire budget, since other programs under study still have to be approved, which makes comparison with the 1982 budget difficult. The total budget should be in the neighborhood of 800 million UC as against 665 million in 1982--an increase close to 20 percent, in terms of current money values. The 1983 "obligatory" budget comes to 237.404 million UC and covers the general budget, the personnel costs, the maintenance of the Kourou space center and construction of the second Ariane launch pad. To this sum are added the budgets of the "a la carte" programs such as the ERS-1 earth-observation satellite (27.268 million UC), the L-Sat telecommunications satellite (204.11 million UC), the space-transport system, including the use of Spacelab (which will fly in the hold of the Space Shuttle in September), and continuance of the Ariane program (198.593 million UC). [Text] [Paris ELECTRONIQUE ACTUALITES in French 14 Jan 83 p 11] 11267

CSO: 3519/279

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